




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)

A large, intricate circular graphic in shades of blue and white, resembling a camera lens or a complex optical system. It features concentric rings, a central lens element, and various geometric patterns and lines, suggesting advanced technology and precision engineering.

2023 Environmental, Social and Governance Report

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About the Report

This report is the 2023 Environmental, Social and Governance (“ESG”) Report issued by Sunny Optical Technology (Group) Company Limited (the “**Company**” or “**Sunny Optical Technology**”), which mainly summarizes the ESG work methods, commitments and strategies of the Company and its subsidiaries (the “**Group**”).

Reporting period

Unless otherwise stated, the report covers the period from 1 January 2023 to 31 December 2023 (the “**Reporting Period**”).

Definitions

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**”, “**Sunny Optical Technology**” refers to Sunny Optical Technology (Group) Company Limited.

Reporting Boundary

The scope of this report covers the Company and its main subsidiaries located in Yuyao City, Zhejiang Province, the People’s Republic of China (the “**PRC**” or “**China**”), namely Zhejiang Sunny Optics Co., Ltd. (“**Sunny Zhejiang Optics**”), Ningbo Sunny Opotech Co., Ltd. (“**Sunny Opotech**”), Ningbo Sunny Automotive Optech Co., Ltd. (“**Sunny Automotive Optech**”) and Yuyao Sunny Optical Intelligence Technology Co., Ltd. (“**Sunny Optical Intelligence (Yuyao)**”)(Note 1,2). During the Reporting Period, the main operating revenue of the four subsidiaries covered in this report accounted for more than 90.0% of the revenue of the Group.

Reporting Principles

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix C2 (《環境、社會及管治報告指引》 附錄 C2) to the Rules Governing the Listing of Securities published by the Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and Global Reporting Initiative Standards (《可持續發展報告指南》)(“**GRI standards**”) issued by the Global Sustainability Standards Board (“**GSSB**”), and complies with its reporting principles:



Notes

- 1.1.The content of Strengthening Management、Friendly Workplace、Community Welfare and related Key Performance Indicators (KPIs) covered the Group.
- 2.2.The content of Green Operation, Product Liability and Supply Chain Management and related KPIs covered the Company and four subsidiaries including Sunny Zhejiang Optics, Sunny Opotech, Sunny Automotive Optech and Sunny Optical Intelligence (Yuyao).

- 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 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 2022 ESG Report, and no major changes have occurred.

Data Explanation

Unless otherwise stated, the data used in this report mainly include the internal statistical data and relevant public data of the Company and its four subsidiaries. The Group provides reasonable assurance that there are no deceptive records, misleading statements or major omissions in the content of this report. The currency in this report is denominated in Renminbi (“RMB”).

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 (bgs@sunnyoptical.com).

Chairman's Statement



In 2023, we were dealing with an extremely complex and difficult business environment due to the sluggish global economic recovery, insufficient consumer demand, continuous international geopolitical conflicts, global supply chain restructuring, and intensified industry competition. The Group maintains our strategic focus to face up to the challenges, looking for new revenue sources and cutting back on expenditures. We increased the ratio of sales to existing customers, leading the industry in the sales of our three main products - handset lens sets, handset camera modules, and automotive camera modules. Meanwhile, the Group kept committing ourselves to the enhancement of social values.

We firmly believe that apart from business development, managing environmental, social and governance (“ESG”) issues wisely can not only reduce operational risks, but also improve internal governance, attract talent, and expand markets, thereby enhancing our overall competitiveness. On January 1, 2023, we appointed a new female independent non-executive director, intending to improve the diversity and independence of the Board of Directors. To manage risks better, the Group has gradually incorporated climate-related risks into its enterprise risk management system, whereby climate-related risks and opportunities are identified, and relevant controls and policies are introduced to ensure sustainable and stable development.

As part of our environmental efforts, we implement the “dual carbon” strategy, embracing the green and low-carbon development philoso-



Ye Liaoning

Chairman and Executive Director



phy in the design, research & development, production, and application of products. To reduce greenhouse gas emissions, we have increased the proportion of clean energy use; replaced energy-consuming equipments; optimized the layout and configuration of equipment and introduced advanced electrified and digitalized management platforms to improve energy utilization. During the Reporting Period, Sunny Opotech and Sunny Optical Intelligence(Yuyao) established an energy management system and passed the ISO 50001 certification. We carried out 9 energy-saving projects throughout 2023, saving a total of 3,319.9MWh of electricity and reducing 2,335 tonnes of carbon dioxide emissions; and 4 water-saving projects, saving 270,000 tonnes of water.

Regarding the social aspect, the Group upholds the people-oriented concept and responds to what employees want, what society needs, and what the public expects. By pushing for a responsible supply chain and supporting rural revitalization, public welfare, and charity with all efforts, we have extended warmth and care with compassion. To improve employees' sense of security, belongingness, and happiness, we have implemented a variety of talent retention initiatives and employee care activities. During the Reporting Period, the Group was selected for the "Pilot Scheme for Improving the Quality of Life of Employees" by the All-China Federation of Trade Unions. Furthermore, we require our suppliers to comply with international laws and regulations, industry standards and the Group's policy and requirements on human rights management, business ethics, hazardous substances management, and conflict minerals management, and to work with us to create a sustainable win-win ecosystem. We also take an active part in public welfare and charity, contributing to local socio-economic development by supporting education, poverty alleviation, and environmental protection.

In 2023, thanks to the unremitting efforts of our people, the ESG performance of the Group has been widely recognized by society. During the Reporting Period, the international authoritative rating agency **MSCI** upgraded the Group's ESG rating from "A" to "AA", and the **CDP** (Carbon Disclosure Project) raised the Group's rating on climate change mitigation. Furthermore, the Group was awarded the "Sustainable Development Model of 2023" in the 13th Philanthropy Festival (2023) and the "Top 100 Chinese ESG and Low-carbon Companies Listed Overseas of 2023" in the "ESG Charity Foundation" ratings for performing well in green development, social responsibility, and governance. These are the recognitions of our sustainability efforts by external organizations, and the encouragements for us to keep moving forward and never let up.

As we enter a new stage, we will have more responsibilities to shoulder. Looking ahead to 2024, despite the challenging external environment, the Group will stick to its strategic positioning, take advantage of the global business presence, and work with stakeholders to explore sustainable ways of development to address global challenges.

Ye Liaoning
Chairman and Executive Director

China
April 20, 2024



About the Group



About the Group



Established: In 1984
Stock Code: 2382.HK
Number of Employees: 29,524 (as of 31 December, 2023)
Headquarter Location: No. 66-68, Fengle Road, Yuyao, Zhejiang Province, China
Scope of Experience: Global leading integrated optical components and products manufacturer
Global Deployment: China, Vietnam, India, South Korea
Website: <https://www.sunnyoptical.com>

During the Reporting Period, the Company's MSCI ESG rating was upgraded to AA. The Company has been included in indexes such as Hang Seng Index, Hang Seng China Enterprise Index, Hang Seng TECH Index, Hang Seng Corporate Sustainability Index, Hang Seng ESG50 Index, HSI Low Carbon Index and FTSE4Good Index Series.

The Group is principally engaged in the design, research and development (“R&D”), manufacture and sale of optical and optical-related products. Such products include optical components (such as vehicle lens sets, optical parts of vehicle light detection and ranging (“LiDAR”), virtual reality (“VR”) Perception and Interactive Spatial positioning lens sets, handset lens sets, glass spherical and aspherical lenses and other optical components) (the “Optical Components”), optoelectronic products (such as vehicle modules, VR folded path (“Pancake”) modules, VR visual modules, handset camera modules, Robot Vision Module and other optoelectronic modules) (the “Optoelectronic Products”) and optical instruments (such as intelligent inspection equipment and microscopes) (the “Optical Instruments”). The Group focuses on the application fields of optoelectronic-related products, such as vehicles, VR/augment reality (“AR”), robots and handsets, which are combined with optical, electronic, algorithm and mechanical technologies.

Global Deployment

The Group’s production bases in China are located in Yuyao of Zhejiang Province, Zhongshan of Guangdong Province, Shanghai and Xinyang of Henan Province, respectively. In order to promote its global layout and satisfy the demand in overseas markets, the Group has established production bases in India and Vietnam, respectively. Meanwhile, in order to have timely insight into the industry opportunities and cater to the customers for rapid R&D, the Group has set up R&D centers in China, and South Korea to provide more international technical support and reserves.



Brief introduction of four subsidiaries covered in this report are as follows:

Sunny Zhejiang Optics

Primarily engaged in the design, manufacture and sales of handset lens sets, sensing lenses, display optics, refractive and diffractive optics and other optical components.

Sunny Opotech

Primarily engaged in the design, manufacture and sales of optoelectronic products including handset camera modules, three-dimensional (“3D”) optoelectronic products, etc.

Sunny Automotive Optech

Primarily engaged in the design, manufacture and sales of optical components and assemblies applied in the vehicle industry. Such products include optical components, such as vehicle lens, LiDARs, head-up displays, and smart headlamps.

Sunny Optical Intelligence (Yuyao)

Primarily engaged in the design, manufacture and sales of vision sensing products applied in the areas such as AR/VR/mixed reality (“MR”), smart home (smart doors, smart locks/smart home appliances/home services robots), smart commercial (personal verification terminals/commercial service robots/smart logistics terminals).

Corporate Culture

The details of the system of spiritual culture with “Create Together” as the core value are as follows:

Carry forward three spirits: the entrepreneurial spirit of hard working; the innovative spirit of keeping up with the times; and the team spirit of working together in harmony

Practice four philosophies: employee-oriented development; integrity and professional ethics; the pursuit of character through knowledge and action; and responsive behavior

Strengthen five relationships: create a solid foundation with all shareholders; create an excellent brand with all employees; create a market for products with partners; create room for industry development with industry peers; and create a civilized and progressive society with all sectors of society.

Mission

To explore the prosperous road for the development of China’s optoelectronic industry



Development Strategy

Unswervingly implement the “Mingpeijiao” (名配角) strategy to build a world-renowned optoelectronic enterprise

Vision

Be stronger, bigger and go further to become a “Hundred-Year-Old Brand” in the optoelectronic industry

Brand Image



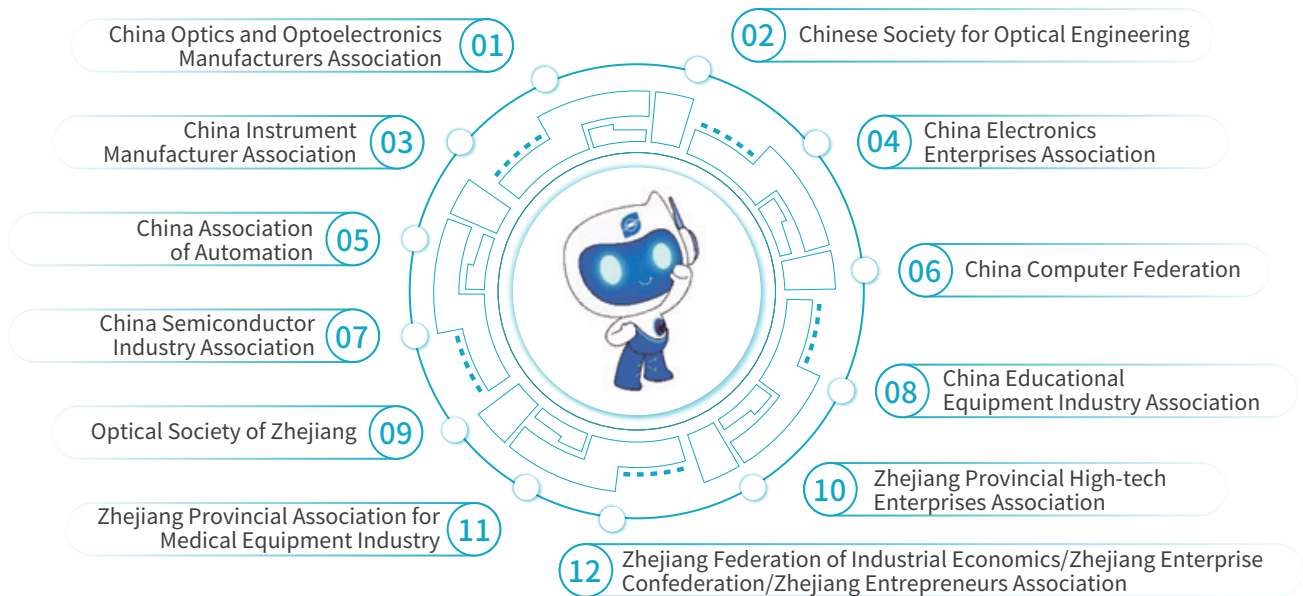
The Group attaches great importance to the construction of brand management and improves our brand recognition through unified visual images.

We carry out semi-annual and annual self-assessment on various visual identity (“VI”) projects, and make timely rectifications for non-compliant projects. We also further strengthen our employees’ awareness of brand management through training courses such as logo (“Logo”) design methods and usage specifications. During the Reporting Period, the design of the Group’ s mascot image was completed and the relevant copyright was registered.

Industry Associations

In order to better fulfill our social responsibility and create room for the development of the industry together with industry peers, the Group actively maintains close relationships with industry associations and community.

As at 31 December 2023, the Group has joined the following associations as follow:



Awards and Recognition

Awards and Recognitions	Awarded by	Awarded to
Corporate Comprehensive Strength		
「2023 Quality Award」	Aptiv (China) Investment Co., Ltd.	Sunny Automotive Optech
「Collaborative Development Award」	Beijing Jingwei Hirain Technologies Co., Inc.	Sunny Automotive Optech
「Best Quality Award」	Beijing Roborock Technology Co., Ltd.	Sunny Optical Intelligence (Yuyao)
「Technology Innovation Award」	Narwal Intelligent (Shenzhen) Co., Ltd.	Sunny Optical Intelligence (Yuyao)
「2023 Best Contribution Award」	Xiaomi Communication Technology Co., Ltd.	Sunny Zhejiang Optics
「2022 Excellent Quality Team Award」	Honor Device Co., Ltd.	Sunny Zhejiang Optics
「2022 Best Delivery Award」	Vivo Mobile Communication Co., Ltd.	Sunny Zhejiang Optics
「2023 Best Technological Innovation Award」	ZTE Corporation	Sunny Zhejiang Optics
「2022 Best Partner Award」	Kunshan QTech Microelectronics Technology Co., Ltd.	Sunny Zhejiang Optics
「M1 14 Series Flagship Module Exceptional Contribution Award」 and 「M1 14 Flagship OIS Motor Technology Breakthrough Award」	Xiaomi Communication Technology Co., Ltd.	Sunny Opotech
「OIS Motor Joint Development Incentive Award」	OPPO Guangdong Mobile Communications Co., Ltd.	Sunny Opotech
「2022 Best Delivery Award」 and 「2022 Quality Progress Award」	Vivo Mobile Communication Co., Ltd.	Sunny Opotech
「Quality Awareness Award」	Lenovo Group Limited	Sunny Opotech
「Gold Medal Award」	HONOR Device Co., Ltd.	Sunny Optical Technology
Quam IR Awards 2022 「The Most Remarkable Investor Relations Recognition - Hong Kong Index Constituents (Hang Seng Index) Category」	China Tonghai IR Co., Ltd.	Sunny Optical Technology
Corporate Social Responsibility		
ESG rating upgraded from「A」 to「AA」	MSCI	Sunny Optical Technology
「2023 Top 100 China's Overseas Listed Companies in ESG and Low Carbon Ranking」	ESG Public Welfare Foundation	Sunny Optical Technology
「Green and Sustainable Development Contribution Award」	2023 International Green Zero-carbon Festival	Sunny Optical Technology
「2023 Model Enterprise of Sustainable Development」	13th Public Welfare Festival 2023	Sunny Optical Technology
「Organizational ESG Impact Around 2023」	「InnoESG Award 2023」organized by SocietyNext Foundation	Sunny Optical Technology
「2023 National-level Green Factory」	Ministry of Industry and Information Technology	Sunny Optical Intelligence (Yuyao)
「2023 Zhejiang Water-saving Company」	Zhejiang Water Conservation Office	Sunny Automotive Optech
Labor Management		
「2024 Most Influential Employer」	Haitou.cc	Sunny Zhejiang Optics

01

Strengthening Management

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Corporate Governance

Governance Framework

The Group attaches great importance to the corporate governance and has established a scientific and sound corporate governance structure. The board (the “Board”) of directors (the “Directors” , each a “Director”) is accountable to all stakeholders and drives and leads the business development and operation of the Group in a responsible and effective manner by developing corporate strategies, corporate governance policies and practices that align with the corporate culture.

As at the release date of this report, the Board comprises seven Directors, including three executive Directors, one non-executive Director, and three independent non-executive Directors. In accordance with the articles of association 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 by rotation at each annual general meeting (“AGM”) of the Company, provided that every Director shall be subject to retirement by rotation at an AGM at least once every three years.

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 website of the HKEXnews of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sunnyoptical.com>) for stakeholders to review. The external auditor, Deloitte Touche Tohmatsu, acts as the provider of independent auditing services of the Company.

The remuneration of the Directors is determined by the Board as recommended by the remuneration committee, having regards to the Group’s operating results, individual performance and/or comparable market statistics. Please refer to the Sunny Optical Technology (Group) Company Limited Annual Report 2023 (“2023 Annual Report”) for more details.

Sunny Optical Technology (Group) Company Limited



Note

Sunny Optical (Zhejiang) Research Institute Co., Ltd. (“Sunny Research Institute”).

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 has issued the Board Diversity Policy (《董事會成員多元化政策》) 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. With effect from 1 January 2023, the Group has appointed one female independent non-executive Director. We hope 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. We have also clearly defined the duties and authorities of the Chairman of the Board (the “Chairman”) and the chief executive officer (the “CEO”) of the Company in relevant documents to strengthen the standardization and effectiveness of the Group’s corporate governance.

The composition of the Board is summarized as below:

Name	Ye Liaoning	Sun Yang	Wang Wenjie	Wang Wenjian	Zhang Yuqing ^(note)	Feng HuaJun	Shao YangDong	Jia Lina
Gender	Male	Male						Female
Age	58	51	56	76	76	60	54	56
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	✓	✓	✓	✓	✓	✓	✓	

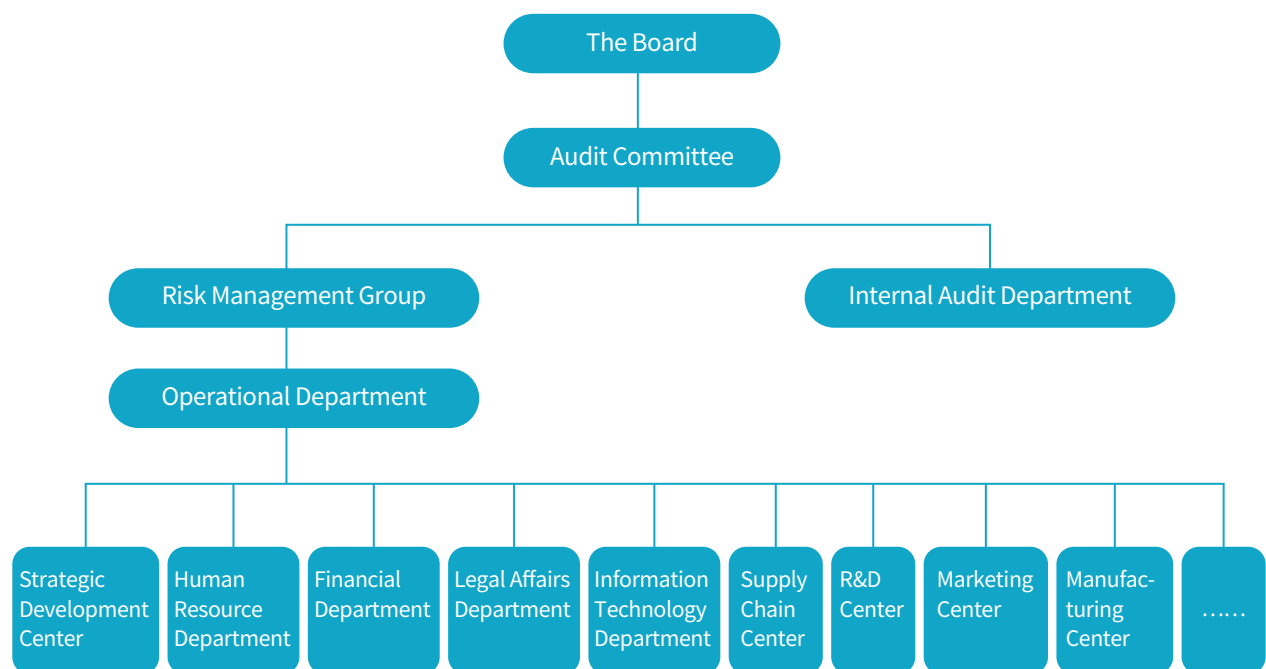
During the Reporting Period, the Board organized board meetings in strict accordance with relevant legal requirements, and the various committees of the board promptly convened various meetings to fully play a role in advance control of major decisions. Besides, all directors participated in continuous professional development trainings to develop and update their knowledge and skills. For detailed information, please refer to the 2023 Annual Report.

Note

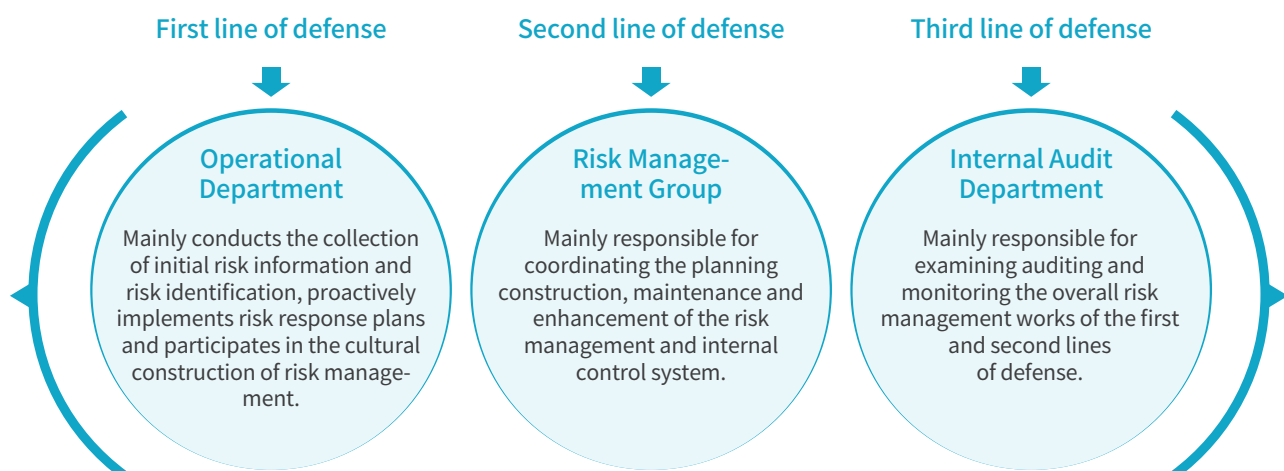
Mr. Zhang Yuqing resigned as an independent non-executive Director with effect from 1 January 2024.

Risk Management

The Group has attached great importance to enterprise risk management (“ERM”) and has established an ERM system. We have formulated the Risk Management Policy (《風險管理制度》) and established a risk management policy framework. The Board and audit committee of the Board (“Audit Committee”) are the top decision-making bodies of risk management of the Group. Meanwhile, in order to ensure the smooth implementation of risk management, the detailed daily risk management work has been defined and executed through the Overall Risk Management Procedures (《全面風險管理程序》) and Key Risk Indicators Regulatory Requirements (《關鍵風險指標監管要求》). For work of the Group’s risk management, please refer to the section headed by Enterprise Risk Management of Corporate Governance Report in 2023 Annual Report.



Three lines of defense for risk management



The Group has formulated the Measures for Overall Risk Management Performance Appraisal (《全面風險管理績效考核辦法》). The composition of our overall risk management appraisal group is review and updated on an annual basis. It is responsible for evaluating and supervising the comprehensive risk management work and promoting the implementation of the annual overall risk management activities of the subsidiaries. We integrated the ERM into business management, and integrated the ERM system with the International Organization for Standardization (“ISO”) quality management system, strategic system and other systems to establish a normalized and dynamic mode of risk management. We also guided the business departments to formulate corresponding improvement measures through risk indicators’ early warning, and continuously optimized implementation of risk management.



In order to better empower employees at all levels with risk management knowledge and skills, during the Reporting Period, we launched online and offline risk management trainings for employees at all levels of all subsidiaries, with more than 10,000 trainees, a coverage rate of over 97.0%. Meanwhile, the Group organized 9 offline risk management courses in 2023, including the sharing of intellectual property (“IP”) risk management experience, product quality risk management experience, and customer credit risk management experience, which were shared among the subsidiaries.. The course contents were also shared among subsidiaries. In addition, the Group shared risk management-related knowledge through the “Sunny Family” WeChat official account and “Sunny Journal” internal journal for publicity to all employees.

We have set up a trade control compliance group under the Risk Management Committee and built a systematic trade control compliance management structure for the Company and its subsidiaries. In doing so, we aimed to systematically improve the compliance awareness and core business capability of the Company’s subsidiaries to cope with global trade compliance risks, respect and comply with the trade laws and regulations of major trading countries and



regions and the cultural customs of partners. During the Reporting Period, the Group defined the qualifications and code of conduct for compliance management officers and developed standardized skill training courses for trade control compliance officers. These officers have all received the necessary trainings, passed the assessment and obtained the trade compliance management qualification.

formulate the Implementation Rules for Trade Control Compliance (《貿易管制實施細則》), and the Trade Control Compliance Management Standards (《貿易管制合規管理規範》) to further clarify their implementation rules or management standards as appropriate, to clarify the trade control compliance policies and management responsibilities that internal business must follow, and ensure the compliant, healthy and efficient operation of the Group’s overall business process and transaction activities. We also have a risk early warning mechanism in place. In 2023, the Group issued 24 early warnings to subsidiaries and tracked their risk investigation and remediation to ensure that our business operates in a safe manner.

We have formulated compliance policies such as the Trade Control Compliance System (《貿易管制合規制度》), the Statement of Management Commitment on Trade Control Compliance (《關於貿易管制合規的管理層承諾聲明》). Meanwhile, the Company guided its subsidiaries to

Meanwhile, the Group conducts compliance control over its overseas operations. We work to study the applicable laws and regulations overseas to ensure that our overseas subsidiaries operate in accordance with the relevant laws and regulations.

Business Ethics

The Group always adheres to the principle of integrity and has zero tolerance for any form of bribery, corruption, extortion, fraud, embezzlement and money laundering in all business activities. We have been ramping up our anti-corruption efforts to build a line of defense through corruption investigation, review of connected transactions, integrity promotion and training, system construction and corruption risk identification, and improving internal control measures. We work to move toward the goal of “do not dare to corrupt” in objective behaviors, “cannot corrupt” in system and process and “do not attempt to corrupt” in consciousness, so as to maintain a clean and self-disciplined business environment.

We abide by the laws and regulations related to business ethics in the countries and regions where we operate, such as the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), the Regulations of the PRC on Administrative Penalties for Public Security (《中華人民共和國治安管理處罰條例》), the Law of the People’s Republic of China on Anti-money Laundering (《中華人民共和國反洗錢法》) and the Basic Norms on Internal Control of Enterprises (《企業內部控制基本規範》). We have established a business ethics management team directly led by the Chairman to continuously supervise and evaluate the business ethical work.

The business ethics review covers routine audits (related-party declarations, related-party compliance audit, related-party declarations of suppliers, and procurement ethics review) and contingencies. Specifically, the audit department of the Group (the “**Audit Department**”) is responsible for auditing the compliance of related-party transactions and related-party declarations in all business of previous year and reporting the audit results to the Audit Committee annually. We also appoint an external auditor to review the Group’s continuing connected transactions. By the end of the Reporting Period, 900 persons had undergone the related-party audit. The Inspection Division within the Audit Department is responsible for publicizing business ethics throughout the Group, establishing an integrity and compliance system, maintaining reporting channels, and receiving and investigating the matters reported. The Group’s enterprise cultural group is responsible for building a culture of honesty and integrity, and supervising and evaluating the cadres by formulating a negative list of the value of cadres. During the Reporting Period, the business ethics review was proceeded in according to the annual plan, covering all subsidiaries. A completion rate of 100% was achieved. Areas with a high business ethics risk were reviewed, investigated, and dealt with. All areas of concern had been rectified.

The Group has adopted the Anti-Corruption Policy (《反貪污制度》) to prevent and control various corruption and fraud incidents such as commercial bribery, commercial benefit transmission and financial embezzlement. The Group has formulated the Administrative Measures for Rewards and Punishment of Employees (《員工獎懲管理辦法》), the Measures for the Investigation and Administration of



The Group has set up the following various of whistleblowing channels, all of which are managed by dedicated persons and accept reports within 24 hours :



Telephone
+86-574-62550607



E-mail
Audit Department
(audit@sunnyoptical.com)

Audit Committee
(auditcommittee@sunnyoptical.com)



Network platform
“Integrity Sunny” WeChat official account, “Sunny Family” WeChat official account and the Group’s official website



Address
Audit Department, No. 66-68, Fengle Road, Yuyao, Zhejiang Province, China, Postal code: 315400

Fraud Cases (《舞弊案件調查管理辦法》), the Commitment for Honesty in Key and Sensitive Positions (《關鍵敏感崗位廉潔從業承諾書》), the Integrity Report on Key and Sensitive Positions (《關鍵敏感崗位述廉報告》), the List of Negative Behaviors of Cadres (《幹部負向行為清單》) and other policies. By doing so, the Group aims to give full play to the role of supervision in internal audits, regulate the investigation of corruption cases, and specify the responsibilities of different departments in investigating and handling cases and punishing undisciplined personnel. Anti-corruption performance has been included as a one-vote veto in the year-end assessment for the subsidiaries. In addition, we issued the Circular on Strengthening the Management over the Special Sunny Integrity Module (《關於加強“舜宇廉政專庫”管理的通知》) to establish a mechanism for reporting to the module and improve the process for handling gifts and gratuities that cannot be returned. During the Reporting Period, the Group was recognized as an “Outstanding Performer in Zhejiang Integrity Building” .

During the Reporting Period, there were no concluded legal cases regarding corrupt practices brought against the Group or its employees and major non-compliance matters in the audit work.

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 whistleblowing scope of acceptance, channels, rewards and protection policies. The Audit Department will verify and investigate the whistleblowing matters according to the management level or job qualifications of the person being reported after receiving the whistleblowing data, and temporarily deploy personnel to set up an investigation team according to the work requirements. We have established rigorous confidentiality measures and procedures. During the investigation process, no one shall disclose the progress of the investigation, evidence, data and other related information to any third party. The information of the whistleblowers, especially the information related to personal data privacy and the information they provided will be kept confidential. The Group collects evidence and conducts impartial investigation through multiple channels. All evidence is well maintained and signed, to protect the legitimate rights and interests of whistleblowers and reported persons. Persons in violation of laws will be held accountable legally.

The Group provides anti-corruption training and information for all employees, including Board members and those in key and sensitive positions. Additionally, the Group includes the introduction of the Anti-Corruption Policy (《反貪污制度》) in the orientation training of new employees, and publishes related courses and articles irregularly through the cyber academy, internal journals, Tik Tok and WeChat official account. We also conduct integrity publicity through the bulletin boards, integrity speeches and integrity commitments, and computer integrity standby screensavers among subsidiaries. By immersing themselves in the corporate integrity culture, employees unconsciously improve their integrity and professional ethics and become “supervisors” on dishonest behaviors. During the Reporting Period, we conducted a total of 5 on-site anti-corruption training sessions and published 16 promotional articles and 5 reports in this regard, 3 policy explanation articles, and 1 article on integrity in the “Sunny Journal” .



▲ Anti-fraud training in China



▲ Anti-fraud training outside China



During the Reporting Period, the Group organized a series of activities to strengthen the anti-fraud and compliance culture, foster an honest atmosphere in the enterprise, and raise employees' integrity awareness. Specifically, such activities included the creative poster competition on integrity on the International Anti-Corruption Day, the clean entity competition, the online integrity quiz with prizes, and the distribution of integrity books and beverages with integrity slogans on the packaging. These activities help to deeply root anti-fraud culture in the hearts of all employees, so that they can participate, and jointly create a "do not dare to corrupt, cannot corrupt, and do not attempt to corrupt" three non-corruption and clean atmosphere.

Tax Management

We believe that paying the tax honestly is a social responsibility which can promote the long-term sustainable operation of enterprises. The Group complies with the tax regulations of the countries where it operates and declares and pays all taxes and fees on time. In accordance with the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China(《中華人民共和國企業所得稅法實施條例》), the applicable tax rate for subsidiaries in China is 25% with effect from 1 January 2008. However, during the Reporting Period, as the Group's four subsidiaries are all domestic limited companies and are recognized as high-tech enterprises, they are entitled to a preferential rate of 15%. For detailed information on tax management, please refer to the 2023 Annual Report.

ESG Governance

Upholding the core value “Create Together” , we are committed to creating a civilized and progressive society with all walks of life and firmly practicing the concept in sustainable development. The Group’s sustainable development capability will be further enhanced by formulating a series of specific sustainable development targets, establishing a sustainable development management framework and building corresponding evaluation indicators.

ESG Strategy



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 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 operational activities, follow various international environmental protection laws and regulations, and pursue environmental protection and sustainable development through technological innovation and manufacturing reform, etc.



Economic Responsibility

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

Major Targets

Environmental Targets



- Achieving carbon peaking by 2028 and carbon neutrality by 2058
- Reducing the intensity of Scope 1 and Scope 2 greenhouse gas emissions (tCO₂e/RMB million revenue) by 20.0% by fiscal year (“FY”) 2025 compared with the FY2021 baseline (note)
- Saving energy and resources
- Reducing the discharge of hazardous wastes

Progress in 2023

- Proportion of clean energy use in FY2023: 15.9%
- Setting the target for increasing the proportion of clean energy use:**
The proportion of clean energy use in FY2024 increasing more than 10% compared to FY2023
- Setting the annual target for greenhouse gas emission reduction:**
Reducing the intensity of Scope 1 and Scope 2 greenhouse gas emissions (tCO₂e/RMB million revenue) by more than 10.0% by FY2024 compared with the FY2023 baseline

Social Targets



- No significant safety liability accidents
- Consistently providing training and development opportunities to employees
- Providing an equal, healthy and safe working environment

Progress in 2023

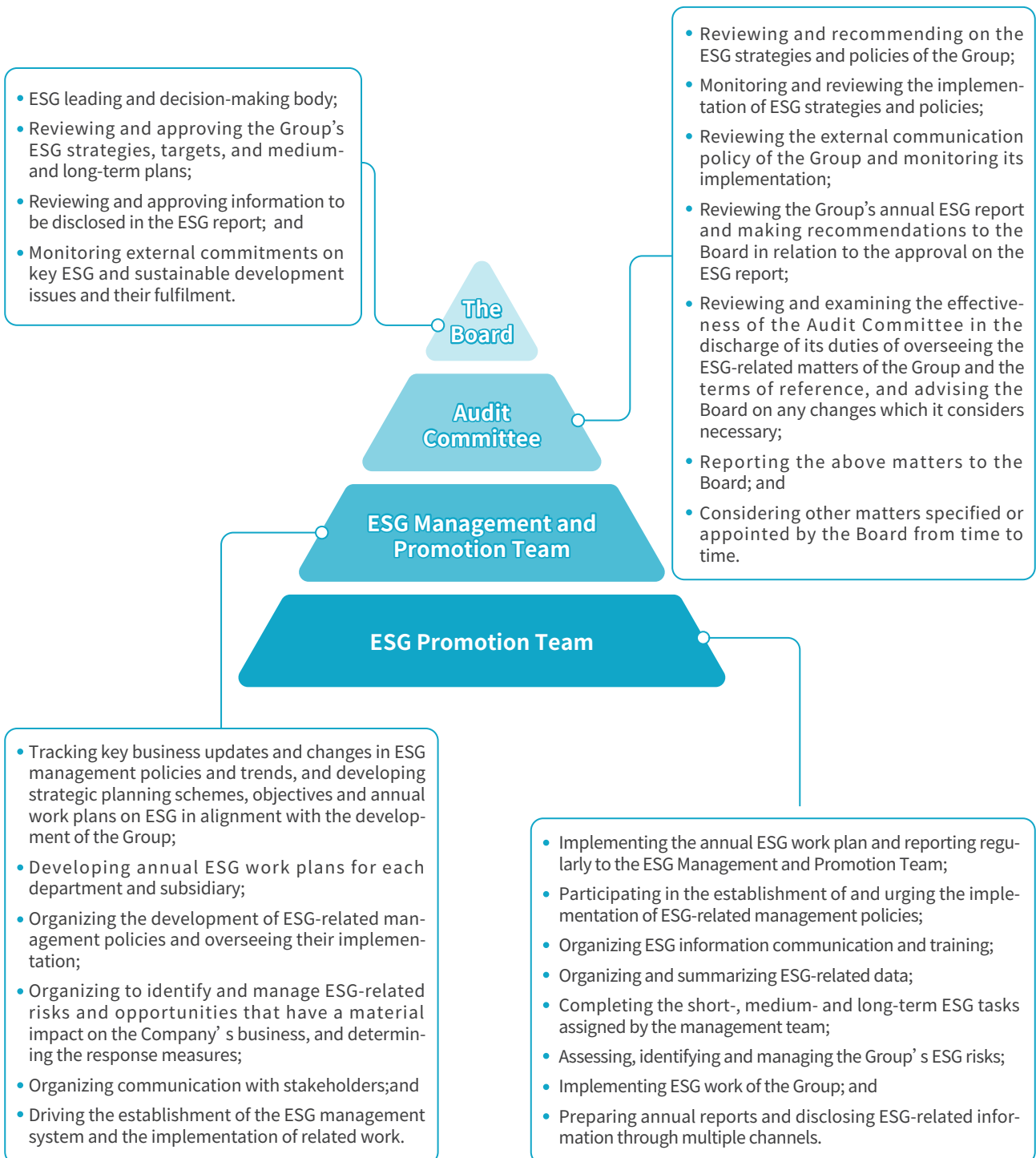
- The number of major safety accidents: 0
- The number of occupational diseases: 0

Note

The intensity of Scope 1 and Scope 2 greenhouse gas emissions was 10.3 tCO₂e/RMB million revenue in FY2021.

ESG Management Structure

The Group has established an ESG management structure composed of the Board, the Audit Committee, the ESG Management and Promotion Team and the ESG Promotion Team, to conduct the top-down supervision over ESG matters and ensure the smooth implementation of the Group’s ESG work.



During the Reporting Period, the Group detailed the responsibilities of the ESG Management and Promotion Team and the ESG Promotion Team and appointed the relevant persons in charge. The ESG Management and Promotion Team consists of the CEO and the vice president as the team leader and deputy team leader respectively as well as the management members of functional departments and relevant subsidiaries involved in the Group's ESG. In order to assist the ESG Management and Promotion Team in carrying out the ESG work, the Group has also set up an ESG Promotion Team under the ESG Management and Promotion Team. The ESG Promotion Team consists of persons in charge of the Company's Legal Affairs Department, Audit Department, Administration Office, Financial Department, Human Resource Department, the Party & the Masses Office, Information Technology Department, Strategic Development Center, Investor Relations Management Department and relevant departments of subsidiaries.

During the Reporting Period, the Group participated in training organized by customers, investment institutions and third-party rating organizations on the latest ESG developments, ESG rating standards, green energy and low-carbon development of enterprises, so as to help relevant personnel strengthen their ESG expertise and skills.

Board Statement

The Group has established an ESG management structure, and the Board takes the overall responsibility for ESG management. We carried out materiality assessment, identified material ESG issues and performed targeted management, to assess the importance of ESG issues. Please refer to the chapter of Materiality Assessment for details. Under the supervision of the Board, the Group has formulated ESG related targets, and will adhere to the concept of sustainable development in the future, strive to achieve corresponding targets and actively fulfill its environmental and social responsibilities.

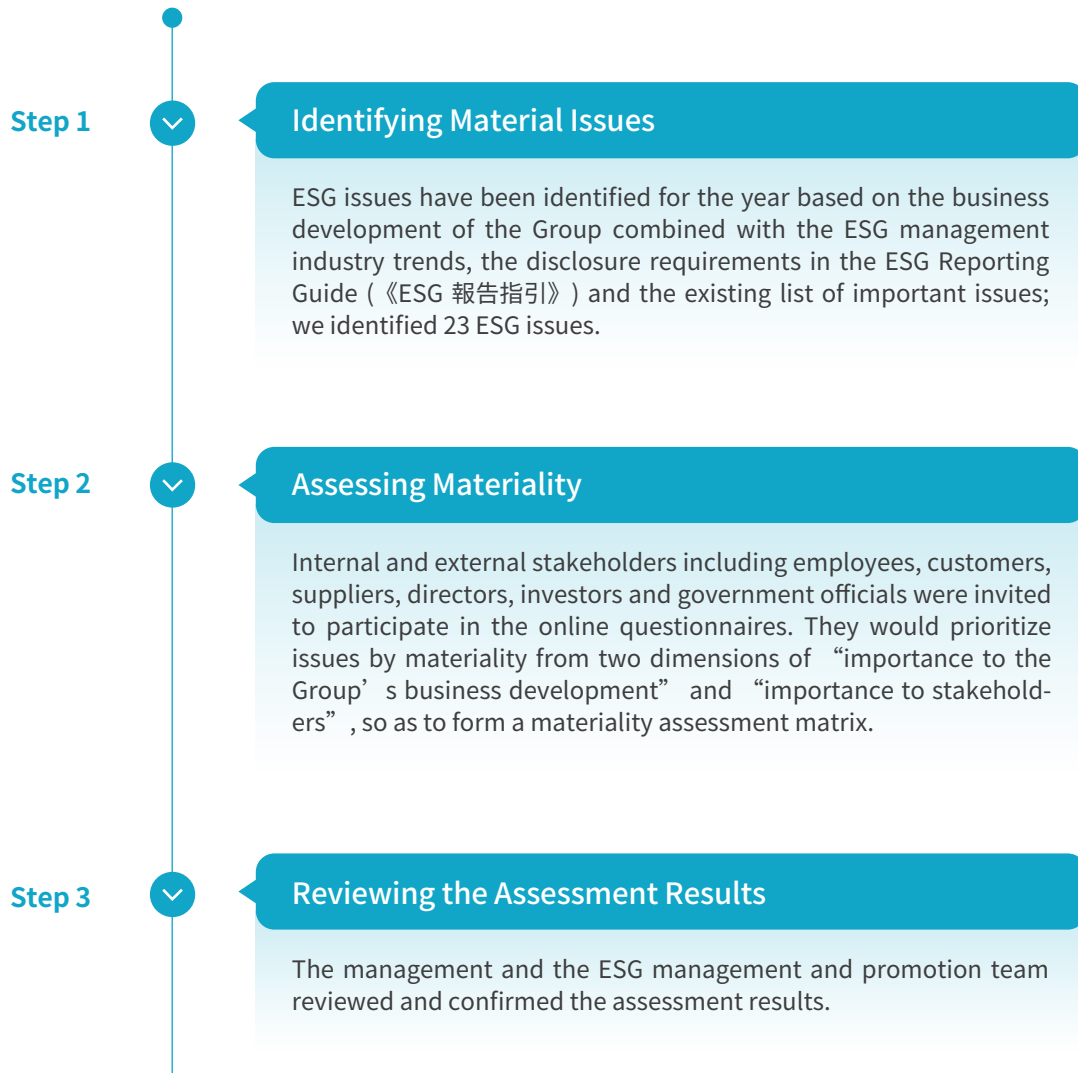
Communication with Stakeholders

We are fully aware that the expectations and demands of our stakeholders can help elevate the Group's ESG management and strengthen our relationship. We maintain close communication with shareholders and investors, customers, suppliers, employees and other stakeholders through various channels such as meeting, e-mail, telephone, and WeChat official account, to understand and respond to the expectations and requests of stakeholders in a timely manner. This will push forward the common development of the Group and all stakeholders.

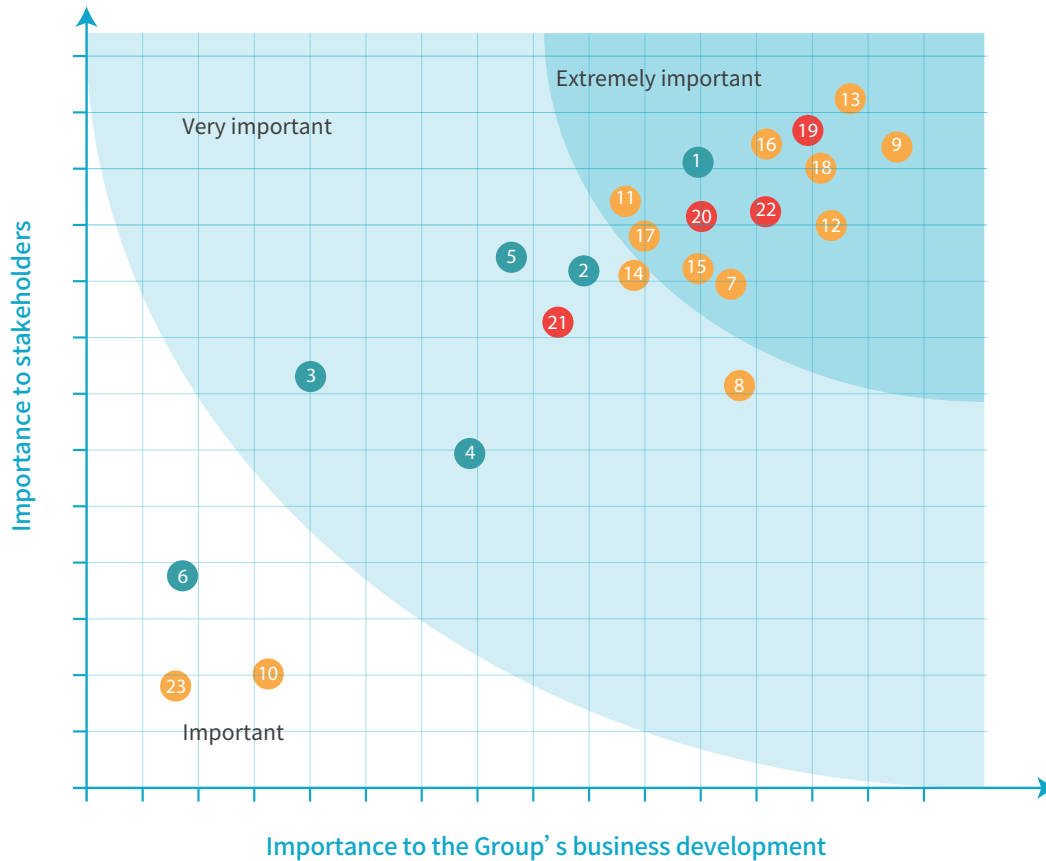
Stakeholders	Communication methods	Expectations and requests	Our responses
Shareholders and investors	<ul style="list-style-type: none"> Annual general meetings and extraordinary general meetings Investor presentations Annual reports, interim reports and announcements Investor meetings 	<ul style="list-style-type: 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 Customer site visit Supplier conferences held by customers 	<ul style="list-style-type: none"> Product R&D and technological innovation Product safety and quality management Information security and commercial secrets ("commercial secrets") protection Setting the target of carbon emission reduction Using green energy Avoiding the use of conflict minerals Carbon footprint report 	<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 Setting the targets of carbon peaking and carbon neutrality plus greenhouse gas emissions Purchasing green power Developing the policy on conflict minerals management Establishing product-specific carbon footprint reports
Suppliers	<ul style="list-style-type: none"> Annual supplier meetings Supplier trainings On-site audits 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 supplier introduction and removal mechanism Conducting suppliers' training and audits Signing undertakings for operating with integrity
Employees	<ul style="list-style-type: none"> Employee representative meetings Employee satisfaction surveys General manager's mailbox "Sunny Family" WeChat official account "Sunny Journal" internal journal "Sunny Family" Tik Tok account Internal poster Bulletin board All kinds of trainings 	<ul style="list-style-type: none"> Employee recruitment and team building Employee development and training 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 welfare Implementing health and safety management system
Government/Communities	<ul style="list-style-type: none"> News coverage Regulatory information submission Forum exchange activities 	<ul style="list-style-type: none"> Complying with laws and regulations Promoting employment Protecting the environment Carrying out community public welfare activities 	<ul style="list-style-type: none"> Adhering to green and compliant operations Hiring local people Organizing volunteer activities Participating in community construction and public welfare activities

Materiality Assessment

The Group has conducted materiality assessments in accordance with ESG standards and industry trends and by inviting internal and external stakeholders to fill in questionnaires in 2022. The move was designed to specify the focus of ESG report disclosure and respond to the expectations and requests of stakeholders in a targeted manner. The specific steps for assessment are set out below:



In 2023, the Group reviewed the materiality matrix and there were no changes noted.



■ Environmental ■ Social ■ Governance

1 Energy and carbon emission management	2 Management of wastes	3 Management of Water Resources
4 Efficiency in the use of resources	5 Wastewater management	6 Responding to climate change
7 Human rights	8 Salary and bonus	9 Occupational health and safety
10 Employee diversity	11 Talent development	12 Talent attraction and retention
13 Product quality and safety	14 Green product management	15 Intellectual property
16 Customer relationship management	17 Supply chain management	18 R&D innovation
19 Compliance operation	20 Risk management	21 Corporate governance
22 Anti-corruption	23 Public welfare investment	



02

Green Operation

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Environmental Management

Environmental principles

- Strengthen the management of pollution sources and take effective precaution measures to reduce or avoid the impact of wastewater, waste gas and solid waste on the environment;
- Promote green development, increase the proportion of clean energy use, eliminate high-energy-consuming equipment, optimize equipment layout and operating parameters, introduce advanced electrification and digital energy management platforms, and improve energy utilization rate;
- Continuously improve production technology, strictly control the production 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. The materials entering the Group must have green products warranty certificates and testing qualified reports issued by third-party testing agencies which are recognized by the Group; and
- Encourage the employees to raise environmental protection awareness and master knowledge and skills in environmental protection.

The Group is committed to protecting the environment while developing the economy, striving to reduce emissions and continuously implement green operations. In order to standardize environmental management, the Group strictly abides by the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》), the Law of the PRC 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》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Cleaner Production Promotion Law of the PRC (《中華人民共和國清潔生產促進法》) and other laws and regulations, actively practices the concept of green development.

We have set up an Environmental Management Division at the Group level to establish a working mechanism under which each subsidiary is independently responsible, the Company takes charge of supervision, targets and responsibilities are specified, all levels are involved in management, and to clarify the main responsibilities of personnel at each level, to better fulfill our responsibility for environmental protection. Meanwhile, the Group has formulated the Management Measures for Environmental Protection (《環境保護管理辦法》), the Control Procedures for Identification and Evaluation of Environmental Factors (《環境因素識別與評價控制程序》), the Environmental Operation Control Procedure (《環境運行控制程序》), 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》), the Regulations on the Development and Introduction of Three New Technologies (《三新技術開發導入管理規定》) and other systems to identify and reduce the impact of production and operation activities on the environment.

During the Reporting Period, the production and operation of the Group had no significant impact on the environment and natural resources. All offices, operation sites and factory areas are not located in natural reserves, tourist attractions or other environmentally sensitive areas. All of the Group's major construction projects have carried out environmental impact assessment in accordance with legal and regulatory requirements and obtained approvals.

Four subsidiaries, namely Sunny Zhejiang Optics, Sunny Opotech, Sunny Automotive Optech, and Sunny Optical Intelligence (Yuyao), have established the ISO 14001 Environmental Management System and obtained the certification. During the Reporting Period, the Group's environmental management system continued to operate stably and was widely recognized by a number of important customers and system certification assessment agencies, such as China Quality Certification Center (CQC). Meanwhile, these four subsidiaries



▲
Positive List Enterprises

have been verified for the Ningbo Environmental Protection Positive List.

During the Reporting Period, Sunny Optical Intelligence (Yuyao) established a sound green manufacturing system and practiced sustainable ecological design concepts. It made continuous efforts to reduce emissions and strengthen the operation and management of energy-consuming equipment for an excellent workplace, thus eventually winning the title of “National Green Factory”. In addition, Sunny Zhejiang Optics and Sunny Opotech have been awarded the title of “Provincial Green and Low Carbon Factory of Zhejiang” and Sunny Automotive Optech won the title of “Ningbo Green Factory”.

Environmental Training and Activities

While improving the environmental management system and rules, we also focus on the education, training, and supervision of green culture. We publicize the objectives and requirements of environmental management to all employees through the bulletin board, WeChat official account, and online and offline training to enhance employees’ environmental awareness. The Group communicates the objectives and requirements of environmental management to each employee to raise their awareness of protecting the environment and make them understand the impact of their work on the environment as well as the risks and consequences of not complying with laws, regulations and the relevant policies.

During the Reporting Period, the Group organized various publicity activities to enhance employees’ awareness of environmental protection. These include cleaning plants on World Environment Day on June 5, posting low carbon initiatives to all the employees during the Energy Conservation Awareness Week, pushing articles on the “Sunny Family” WeChat official account on the National Eco-Day, and putting up publicity slogans in the plants.

In August 2023, Sunny Opotech organized a Solid Waste Identification Training (《固體廢棄物識別培訓》). The aim was to strengthen the management of various types of solid wastes generated in daily production and life, clarify the classification, collection, storage, and disposal methods of wastes, and treat various types of solid wastes for reduction, harmlessness, and resource utilization.



Environmental Protection Advocacy



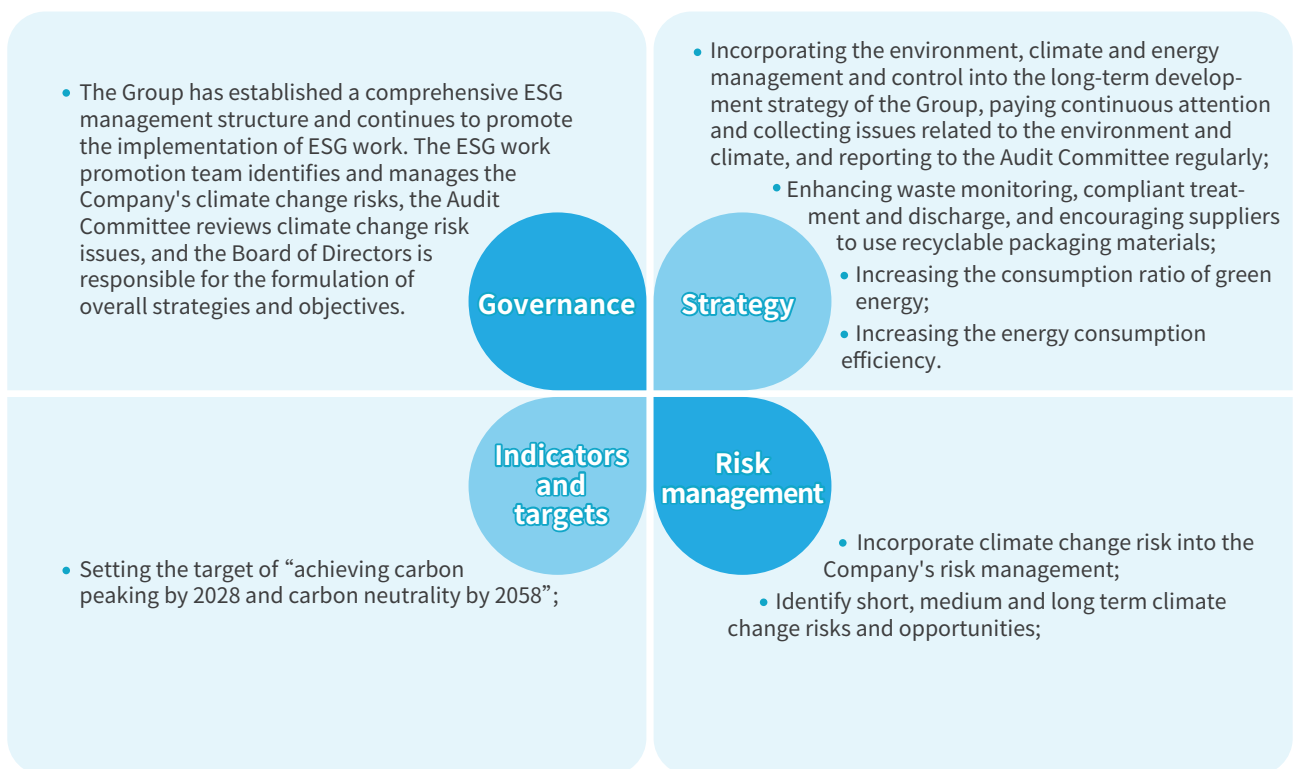
Training on Solid Waste Identification

Promoting Green Office

We strive to transform environmental protection concepts into conscious actions by calling on all employees to work in a green and digitalized manner. For example, we encourage double-sided printing if a hard copy is needed, and set the air conditioning of offices at 20° C or lower in winter and 26° C or higher in summer. In this way, we implement green operations in all aspects of work, instill the concept of environmental protection in every employee, and create a low-carbon workplace.

Response to Climate Change

We are fully aware that climate change risks are among the biggest risks facing the world. We have paid continuous attention to the response trend of global climate change. Considering the risks and opportunities brought about by global climate change, during the Reporting Period, we identified the risks and opportunities with reference to the recommendations of the Task Force on Climate-related Financial Disclosure (“TCFD”) established by the Financial Stability Board (“FSB”). Furthermore, the Group reversed the trend of rising greenhouse gas emissions intensity by proposing measures such as optimizing energy structure and enhancing energy efficiency. In addition, the Group formulated its own carbon peak and carbon neutrality targets together with greenhouse gas emission intensity reduction targets to actively respond to China’s goal of “striving to achieve carbon peaking by 2030 and carbon neutrality by 2060”.



The risks and opportunities related to climate change identified by the Group and the related management initiatives are set out below:

Type	Description	Potential Financial Impact	Response
Acute risk	More frequent extreme weather events (such as typhoons and floods) will cause inconvenience to employee commuting, disrupt supply chain and transportation, and damage production equipment	Decrease in revenue	<ul style="list-style-type: none"> • Develop emergency response plans for extreme weather and perform routine maintenance of emergency facilities • Enhance weather forecast monitoring • Decentralize the supply chain of key materials and enhance the climate resilience of the supply chain
Chronic risk	Increased temperatures, electricity consumption, and greenhouse gas emissions	Increase in operating costs	<ul style="list-style-type: none"> • Increase the frequency of air-conditioning maintenance and adjust air-conditioning operating parameters
Policy and regulatory risk	Tightening laws and regulations related to climate change may increase compliance costs and result in hefty penalties	Increase in compliance costs	<ul style="list-style-type: none"> • Monitor laws and regulations issued by relevant domestic and international regulatory bodies on a regular basis to identify relevant policies applicable to the Company
Product opportunity	Develop low-carbon and energy-efficient products to fulfill customer needs	Increase in revenue	<ul style="list-style-type: none"> • Develop low-carbon and energy-saving products with customers
Energy opportunity	Introduce energy management systems to improve energy efficiency	Decrease in operating costs	<ul style="list-style-type: none"> • Establish ISO 50001 Energy Management System • Build a high-efficiency machine room instead of an energy-consuming one as a pilot, and promote such a practice to other machine rooms

In addition, the Company and its subsidiaries have progressively incorporated climate-related risks into their corporate risk management systems. For example, Sunny Automotive Optech has identified the impacts of clean energy and carbon emission policies on its traditional manufacturing and supply and has adopted the relevant measures accordingly.

Case Risk management of carbon emissions adopted by Sunny Automotive Optech

Level 1 Risk	Level 2 Risk	Level 3 Risk	Response
Strategy risk	Macro policy and situational awareness risk	Impact of clean energy and carbon emission policies on traditional manufacturing and supply chains	<p>Carbon footprint verification: Formulate a carbon footprint verification plan. The carbon footprint verification report for AF201 series products has been completed</p> <p>Carbon emission targets and measures: Formulate a carbon reduction plan and set milestones for carbon reduction based on the results of the carbon footprint verification</p> <p>Carbon reduction measures for supply chain: Organize related suppliers to conduct carbon footprint verification of their products and develop a carbon reduction roadmap consistent with Sunny Automotive Optech</p>

As the Group is easily affected by the concentrated rainfall and local flood season due to its geographical location, we regard floods caused by extreme weather as one of the major climate change risks possibly encountered during production and operation. The Group has formulated the Emergency Management Measures for Public Safety Emergencies (《突發公共安全事件應急管理辦法》) and the Procedures on Emergency Preparation, Response and Control (《應急準備和響應控制程序》) to establish emergency response organizations and their responsibilities, improve the prevention, early warning and response mechanism for various production and operation activities. Meanwhile, we have formulated the Working Handbook on Preventing Flood and Typhoon (《防汛防颱工作手冊》) to specify the steps of the Group's work on prevention of flood and typhoon.

Four subsidiaries of the Company namely Sunny Zhejiang Optics, Sunny Opotech, Sunny Automotive Optech and Sunny Optical Intelligence (Yuyao) have formulated the Typhoon Emergency Plan (《颱風應急預案》) and established an emergency working group for typhoon and flood prevention to be fully responsible for the emergency commanding, organizing, and coordinating work of typhoon disasters. Meanwhile, an evacuation guidance group, emergency repair group and other working groups have been established to be fully responsible for the specific implementation of each work. The emergency measures of the plan cover the handling proposal before, during, and after the typhoon, and specify the operation requirements of emergency measures to ensure that the fight against typhoon is carried out in an orderly manner. Apart from introducing relevant policies and documents, we also consider the altitude of the construction site during site selection for new plants and locate the data center on the second floor during renovation. In addition, we have invested more in hardware and facilities. For instance, for Yangming Industrial Base with a relatively low terrain, we renovated and raised the perimeter walls, placed flood prevention baffles at the entrance of the plant, optimized the drainage system, and increased the emergency power source. During the Reporting Period, there were no significant climate-related issues that had impacts on the Group.

- Routine management**

Monitoring weather information, maintaining drainage pipeline, managing emergency supply, etc.;
- Alarming management**

Releasing alarming information, preparing disaster relief materials, inspecting hidden dangers, etc.;
- Emergency management**

Establishing the emergency response task force to conduct relevant emergency work; and
- Subsequent management**

Conducting post-disaster assessment and summary, inspecting and maintaining equipment, etc.

Greenhouse Gas Emissions

The Group has set a greenhouse gas emission reduction target of 20.0% for both Scope 1 and Scope 2 greenhouse gas emission intensity by FY2025 compared to the FY2021 baseline. During the Reporting Period, Sunny Automotive Optech carried out carbon reduction and formulated a carbon reduction plan. The plan includes measures to reduce carbon emissions by using renewable energy, improvement of energy efficiency, special reduction projects of carbon emissions for energy-intensive industries, carbon trading, adoption of green logistics, and utilization of green and recyclable materials. Sunny Optech also formulated the Administrative Policies on Greenhouse Gases (《溫室氣體管理制度》) to determine the responsible statistic departments, specific requirements, steps and procedures on the quantification of greenhouse gas emissions, to define the approach to reduce greenhouse gas emissions.

Sunny Optech and Sunny Optical Intelligence (Yuyao) also set their Scope 1 and Scope 2 carbon emission targets at the beginning of 2023 and achieved the targets during the Reporting Period.

Name of the subsidiaries	Carbon emission targets	Completion of targets
Sunny Optech	Carbon emission intensity to decrease by 2.0% year on year	Achieved
Sunny Optical Intelligence (Yuyao)	50.0% of green electricity consumption	Achieved

In order to conduct a better scientific inventory of all emission sources involved in the Group, we conducted a Greenhouse Gas inventory of all facilities of the Company and four subsidiaries within the reporting scope located in Yuyao City, Zhejiang Province, China. During the Reporting Period, we adopted the operational control approach based on the GHG Protocol (《溫室氣體核算體系：企業核算與報告標準》) published by the World Resources Institute (“WRI”) and the World Business Council for Sustainable Development (“WBCSD”) and identified the Group’ s GHG emissions finally, which include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons and sulfur hexafluoride.

To better meet the expectations of our stakeholders, and to enhance the Group’ s ESG management with the help of capital markets and financial tools, as well as to set a benchmark in the industry, in January 2023, the Group became the first Asian technology manufacturing company to issue a sustainability-linked bond. For details, please refer to “**Sustainability-Linked Financing Framework**” (<https://www.sunnyoptical.com/webfile/temps/202301041230331537.pdf>) dated January 4, 2023.

We recognize the importance of accounting for Scope 3 emissions and are currently looking for practical ways to account for Scope 3 emissions and working to promote a green and low carbon transformation of our upstream supply chain.

The KPIs of the Group's greenhouse gas and emission levels during the Reporting Period are as follows:

Category	Unit	2023	2022	2021
Greenhouse gas (Scope 1) (Note 1)	tCO ₂ e	5,122.0	4,878.5	2,594.3
Air conditioning coolant (Note 2)	tCO ₂ e	4,955.1	4,746.8	2,449.3
Diesel oil (Note 3)	tCO ₂ e	22.0	24.8	38.8
Gasoline (Note 3)	tCO ₂ e	144.9	106.9	106.2
Greenhouse gas (Scope 2) (Note 4)	tCO ₂ e	378,427.2	362,501.6	380,183.9
Electricity	tCO ₂ e	378,427.2	362,501.6	380,183.9
Total greenhouse gases (Scope 1 and Scope 2)	tCO ₂ e	383,549.2	367,380.1	382,778.2
Greenhouse gas (Scope 1 and Scope 2) emission intensity (Note 5)	tCO ₂ e / RMB million revenue	14.0	12.0	10.3

Notes

1. During the GHG audit in the Reporting Period, the Group also identified other related emission sources of Scope 1, including septic tank emissions, rust removers, high-voltage switches, carbon dioxide and heptafluoropropane fire extinguishers. As the carbon emissions generated by the above emission sources account for a small proportion of the total emissions of the Group, they are not included in the emission calculation range of Scope 1. During the reporting period, GHG Scope 1 emissions increased by 5.0% as compared to 2022 due to the end of the COVID-19 pandemic, various business exchange activities, more frequent use of official vehicles and thus increased use of gasoline, as well as the Group introduced its new products and expanded its production and office space, resulting in an increase in the use of refrigerant.
2. The air conditioning refrigerant emission factors used by the Group are referred to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, and the global warming potential values are referred to the IPCC 6th Assessment Report in 2022. In order to enhance the accuracy and completeness of GHG emission data related to air conditioning refrigerants, the Group adopted the fugitive method during the Reporting Period.
3. The carbon dioxide emission factors of diesel oil and gasoline used by the Group refer to the Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Other Industrial Enterprises (Trial) issued by the National Development and Reform Commission.
4. The carbon dioxide emission factors of the purchased electricity used by the Group refer to the average carbon dioxide emission factors of the East China Regional Grid of the 2012 Regional Power Grid Average CO₂ Emission Factors in China. During the reporting period, the Group's GHG Scope 2 emissions increased by 4.4% as compared to 2022 as a result of introduction new products by the Group, the increase in the size of its production offices and the increase in electricity consumption.
5. During the Reporting Period, the GHG emission intensity increased by approximately 16.7% as compared to the whole year of 2022 due to the year-on-year increase in total GHG emissions (Scope 1 and Scope 2) coupled with the year-on-year decrease in revenue of the Group.

Data Assurance

To ensure the accuracy of the data and information related to GHG emissions in this report, we invited an independent practitioner to perform a limited assurance on selected GHG emissions intensity data during the Reporting Period in accordance with International Standards on Assurance Engagements 3410 - Assurance Engagements on Greenhouse Gas Statements (《國際鑒證業務準則第 3410 號－溫室氣體排放報告鑒證業務》) issued by the International Auditing and Assurance Council. Please refer to Appendix I of this report for the Independent Practitioner's Limited Assurance Report.

Improvement in Resource Utilization

The KPIs of the Group's resource consumption during the Reporting Period are as follows:

Category	Unit	2023	2022	2021
Total direct energy (Note 1)	MWh	616.5	485.8	582.8
Diesel oil	MWh	80.4	90.3	148.5
Gasoline (Note 2)	MWh	536.1	395.5	434.3
Total indirect energy	MWh	639,457.5	605,485.5	540,417.7
Electricity (Note 3)	MWh	537,920.7	515,283.1	540,417.7
Green Electricity	MWh	101,536.8	90,202.4	/
Total energy consumption (Note 3)	MWh	640,074.0	605,971.3	541,000.5
Energy consumption intensity (Note 4)	MWh/ RMB million revenue	23.3	19.7	14.6
Consumption of packaging materials	tonnes	2,126.3	2,548.5	2,632.9
Packaging material intensity (Note 5)	Kg/ RMB million revenue	77.4	83.0	71.1
Water consumption (Note 6)	tonnes	2,639,878.9	2,318,717.1	2,143,303.0
Water intensity (Note 7)	tonnes/ RMB million revenue	96.0	75.5	57.9

Notes

1. The average low level heating capacity coefficients for diesel and gasoline used by the Group are with reference to the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Electronic Equipment Manufacturing Enterprises" issued by the National Development and Reform Commission in 2015.
2. During the Reporting Period, as the COVID-19 pandemic came to an end, various business exchange activities, leading to increased usage of official vehicles and gasoline consumption.
3. During the Reporting Period, as the Group introduced its new products and enlarged its production and office space, electricity consumption also increased. Therefore, the total electricity consumption increased by approximately 4.4% compared to the full year of that in 2022.
4. During the Reporting Period, energy consumption intensity increased by approximately 18.3% compared to 2022 due to the year-on-year increase in total energy consumption and year-on-year decrease in revenue of the Group.
5. During the Reporting Period, packaging material intensity declined by approximately 6.7% compared to 2022 due to the Group's efforts in promoting the reuse of packaging, the amount of packaging used decreased, and year-on-year decrease in revenue of the Group.
6. During the Reporting Period, water consumption increased by approximately 13.9% compared to 2022 as the Group introduced its new products, enlarged its production and office space.
7. During the Reporting Period, water intensity increased by approximately 27.2% compared to 2022 due to the year-on-year increase in water consumption and year-on-year decrease in revenue of the Group.

Management of Energy Use

The Group complies with laws and regulations such as the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》), the Electric Power Law of the People's Republic of China (《中華人民共和國電力法》), the Measures of Zhejiang Province on energy conservation supervision (《浙江省節能監察辦法》), and the Measures for the Supervision and Administration of Energy Conservation in Special High-Energy Consumption Equipment (《高耗能特種設備節能監督管理辦法》). Also, the Group has set up energy-saving leading groups, which are responsible for formulating energy-saving targets and plans. We are committed to achieving energy-saving and carbon emission reduction targets by technological innovation in manufacturing, introducing new energy-saving equipment, improving equipment operating parameters, optimizing power supply mode, and eliminating high energy consumption or old equipment.

During the Reporting Period, Sunny Opotech and Sunny Optical Intelligence (Yuyao) formulated sound policies related to energy management based on the requirements of energy management systems and obtained the ISO 50001 Energy Management System Certification. Sound energy management policies and systems can make the management process and relevant standards clearer, thus significantly improving the effectiveness and efficiency of energy-saving and consumption-reduction efforts.

To ensure the effective and efficient use of energy and resources, Sunny Automotive Optech has formulated the Regulations 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, paper, etc. and specifies the duties and responsibilities of the production management department, the procurement department and other departments. Sunny Zhejiang Optics has formulated the Control Procedures for Energy and Resources (《能源資源控制程序》), which specifies the specific management responsibilities of each department and provides detailed instructions on the use of raw materials, auxiliary materials, water, electricity and fuel as well as the procurement of production equipment. During the Reporting Period, Sunny Optical Intelligence (Yuyao) revised the Rules Governing Equipment Bidding (《設備招標管理辦法細則》) to impose relevant requirements on equipment procurement, including: no longer purchasing equipment with level 3 energy consumption and below and using energy efficiency as a scoring item when bidding equipment. Meanwhile, we continuously improve the value traceability system during production and operation to achieve all-round management and control on the procurement, use, and recycling of resources and energy.

During the Reporting Period, Sunny Zhejiang Optics, Sunny Opotech and Sunny Optical Intelligence (Yuyao) reduced a total of 71,710.1 tonnes of carbon through the purchase of green electricity. In addition to the improvement of energy structure, we introduced an energy management platform to provide a refined management of energy usage. By the end of the Reporting Period, the platform achieved real-time monitoring of electricity consumption data of each building of Sunny Zhejiang Optics and Sunny Opotech, enabling the Group to enhance the management of energy efficiency of power-intensive equipment and thus ensure the safe and efficient operation of power distribution facilities. In addition, the platform can simultaneously provide carbon emission conversion data and early warning management of the total energy consumption, energy intensity, carbon emission and carbon intensity budget and target, helping the Group to achieve the greenhouse gas emission reduction target and the carbon peak and neutrality goals. We have confirmed the deployment of photovoltaic power generation facilities in our plants to facilitate the transformation of our energy mix.

During the Reporting Period, the Group carried out the following energy conservation and consumption reduction projects:

Name of the company	Energy conservation and consumption reduction project	Project brief introduction	Energy consumption reduction-(KWH)	Equivalent carbon emission reduction(tCO2e)
Sunny Opotech	Management of public area lighting	Optimize the management of lighting in public areas	28,000.0	19.7
	Transformation of air compressor channels	Optimize the management of production capacity and the use of air compressor	72,000.0	50.7
	Management refinement	Refined control of centralized scheduling, and critical temperatures	520,000.0	365.8
Sunny Optical Intelligence (Yuyao)	Improvement of air compressors	Modified the Programmable Logic Controller (PLC) program to realize that when any cooling water pump fails, the other two cooling water pumps can be started immediately and sequentially, and the water supply can be restored before the air compressor system fails, to ensure that production is not affected	193,536.0	136.1
	Optimization of Fans Filter Unit (FFU)	Under the premise of satisfying the cleanliness of the workshop, the operating parameters of FFU are optimized	250,000.0	175.9
	Improvement of ionic air bar	Added induction device and achieve automatic control	337,500.0	237.4
Sunny Automotive Optech	Renovation of central air conditioning fans and water pumps	The fixed frequency of the central air-conditioning fan and water pump was changed into inverter mode, with an investment of RMB70,000, saving RMB630,449 in electricity bills per year	741,705.0	521.8
	Transformation of energy saving lamps	Low-wattage energy saving lights are used	66,132.0	46.5
	Modification of high-energy consumption motors	Replace high-energy consumption motors with a total investment of RMB1,240,000	1,111,023.0	781.6

Energy Management Training

During the Reporting Period, Sunny Optical Intelligence (Yuyao) conducted 5 training sessions on the standardization of the ISO 50001 energy system and the implementation of energy management policies. The relevant training included the basic concepts and principles, the setup and operation, and the application and implementation of the energy management system for enterprises. In this way, Sunny Optical Intelligence (Yuyao) helped its employees understand the status of energy management, master energy management methods and energy-saving techniques, and ultimately improve energy efficiency. Sunny Zhejiang Optics launched a series of training on energy conservation and consumption reduction covering all employees. Based on the purpose, necessity, and current situation of energy consumption, this training helped employees understand the importance of energy conservation and consumption reduction in maintaining a green environment including lush mountains and lucid waters, and further raised employees' awareness of energy conservation and consumption reduction as well as the importance of environmental protection.



Training on ISO50001 Energy Management System

Management on Consumption and Utilization of Water Resources

Water resources are the material basis for the survival of all life on earth. The Group attaches great importance to the management of water resources, and continuously commits itself to the protection of water resources. During the Reporting Period, the Group mainly sources water from municipal water supply and has guarantees on obtaining sufficient and suitable water resources that is fit for purpose, and there was no issue in sourcing water that is fit for purpose. In the process of operation, the Group continuously improves the water resource management measures, pursues the goal of maximization of water use efficiency, gives priority to the use of water-saving equipment, continuously optimizes the production process, improves the recycling rate of water resources, and reduces ineffective water use.

The water-saving projects carried out by the Group during the Reporting Period are as follows:

Name of the company	Water-saving project	Measures and results
Sunny Automotive Optech	Recycling of cleaning wastewater	Recycled wastewater generated by the cleaning process, saving about 82,000 tonnes of water per year
Sunny Opotech	Reuse of reclaimed water	Used wastewater for cooling towers and flushing toilets, saving 9,104 tonnes of water
Sunny Zhejiang Optics	Reuse of wastewater from baths	Use wastewater generated from bath equipment for secondary recycling of cooling towers, with an investment of RMB 192,200 and saving about 48,000 tonnes of water per year
	Reuse of reclaimed water	Newly added a group of water recycling equipment, saving 133,200 tonnes of water

During the Reporting Period, Sunny Zhejiang Optics, Sunny Opotech and Sunny Automotive Optech were awarded the title of “Zhejiang Provincial Water-saving Enterprises” and Sunny Optical Intelligence (Yuyao) won the title of “Ningbo Municipal Water-saving Enterprises”.

Management on Consumption of Materials

The Group uses packaging boxes, blister boxes, corrugated paper, vacuum bags, glue and other materials during manufacturing, transportation, and sales of products. To implement the concept of “reducing resource consumption and pollutant emission from the source”, we optimized the production and packaging process, used environmental materials as much as possible to reduce the use of packaging materials. Sunny Optical Intelligence (Yuyao) has formulated the Procedures on Design and Development Control (《設計和開發控制程序》) to define the principles of reduction, resource utilization, cost and harmlessness in the process of product design. Sunny Opotech has formulated the Tray Recycling Management Measures (《料盤回收管理辦法》), which defines the specific work and responsibilities of each department involved in the recycling of trays as well as the monitoring and setting up target for the recycling rate. During the Reporting Period, Sunny Opotech recycled 80% of trays.

The material-saving projects carried out by the Group during the Reporting Period are as follows:

Name of the company	Materials saving project	Measures and results
Sunny Optical Intelligence (Yuyao)	Optimize packaging	Changed the blister box layout from 24 to 30, reducing annual consumption by 4,000 sets; changed the material of packaging boxes from a 7-layer board to a 5-layer board under the pre-condition of product reliability, saving 25% of the material
Sunny Opotech	Recycling of trays	Entered into recycling and disposal agreements with suppliers for the recycling and reuse of trays, resulting in the saving of 372.182 tonnes of trays during the Reporting Period
Sunny Automotive Optech	Adjustment Packing mode	Encouraged suppliers to optimize material packaging design, and changed from disposable packaging to multi-recyclable packaging, reducing approximately 4.8 tonnes of packaging materials used during the Reporting Period
	Improvement of resource utilization	Established management provisions for R&D materials to improve material utilization and reduce material waste and loss
Sunny Zhejiang Optics	Optimization of mold design	Optimized the structure of grinding tools and improved mold applicability and material utilization, saving approximately 11% of materials
	Reuse of gaskets	Optimized the process and achieved the reuse of gaskets while ensuring the quality of product appearance, saving 30% of gaskets and RMB1,494,000 per year

Emission Management

The air pollutants produced by the Group are mainly volatile organic chemicals (“VOC”), nitrogen oxides, sulfur dioxide, and particulate matter. During the Reporting Period, the main source of gas pollutants in the Group are vapors from organic solvents used in the workshops and vehicle exhaust emissions. The wastewater generated by the Group mainly comes from domestic water and cleaning and grinding wastewater in production. The solid wastes generated by the Group mainly include non-hazardous waste such as domestic garbage, as well as hazardous waste generated in production such as detergents and organic solvents.

We strictly comply with relevant laws and regulations and local emission standards and conduct standardized management of all emissions. Sunny Automotive Optech has formulated 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 classification, collection, storage, and disposal methods of various wastes, identify the responsible department of environmental protection management, in order to properly dispose of emissions generated during operation. Sunny Zhejiang Optics has also established the Administrative Measures on Waste Gas, Effluent and Solid Waste (《廢氣、廢液、固體廢棄物等管理制度》), which aims to reduce the impact of waste emissions on the local environment and the health of personnel. In addition, we entrust a qualified third-party agency to test the emissions to ensure that the emissions meet the standards. Meanwhile, the Group is actively engaging in the building of “Zero-Waste City Cells” in Zhejiang Province. During the Reporting Period, the Group passed the “Zero-Waste Enterprise” inspection.

During the Reporting Period, the Group had no major environmental violations or penalties.

Waste Gas Management

We strictly follow domestic and international standards for the management of exhaust gas emissions, and control exhaust gas emissions at the source. We also strictly monitor exhaust gas emissions from our operations to minimize the adverse impact of gas pollutants on the environment. During the Reporting Period, Sunny Zhejiang Optics newly installed 4 sets of waste gas treatment facilities (alkaline spray tower + activated carbon adsorption tower) for the treatment of coating waste gas and reduction of waste gas emissions, with an estimated total investment of RMB500,000. Sunny Optical Intelligence (Yuyao) adopted non-toxic and non-hazardous chemicals or non-toxic and low-hazardous chemical A513 to replace volatile ethanol to reduce the emission of VOC.



Sunny Zhejiang Optics Exhaust Gas Treatment Facilities



Sunny Zhejiang Optics Exhaust Gas Treatment Facilities

Wastewater Management

We control the discharge of wastewater in strict accordance with national standards. The wastewater generated by the Group mainly comes from domestic and production activities. We have built a wastewater treatment system in the factory area and have obtained a permit for the discharge of urban wastewater into the municipal government's sewage pipe network to ensure that domestic and production wastewater is discharged in compliance with regulations. In addition, the Group has implemented the separation of rainwater and sewage pipe networks in the factory area, and the rainwater is introduced into the pipeline and discharged into the river nearby.

Waste Management

The Group classifies, collects, stores, and transfers wastes for disposal in accordance with laws and regulations to ensure compliant treatment and recycling of generated wastes. Our non-hazardous wastes mainly include industrial wastes such as waste metals, waste plastics, wastepaper, waste packages, and domestic wastes from office and daily life. For non-hazardous waste, the recyclable parts will be sold or sub-processed, while the non-recyclable parts will be sent to the environmental sanitation organizations regularly for disposal. During the Reporting Period, Sunny Zhejiang Optics confirmed the disposal method of all outgoing waste, giving priority to qualified treatment providers who can recycle the waste, and ultimately achieving the target of “zero waste to landfill”.

The Group's hazardous wastes mainly include waste hoses, waste activated carbon, waste reagent bottles, and waste organic solvents. For hazardous waste, each subsidiary shall clarify and standardize the names, sources, characteristics, hazards, and treatment measures of various types of hazardous waste, and set up emergency response mechanisms against related accidents. In addition, we have established hazardous waste storage areas to classify wastes and store them according to corresponding requirements, and finally sent them to the qualified third-party agencies for disposal compliance.

Noise Management

The Group rationally plans the layout of each workshop to minimize noise and prefers low-noise equipment. We also install equipment on solid foundations to avoid noise from equipment vibration. Meanwhile, we perform daily and regular maintenance on equipment to ensure that problems are found and fixed in time, hence avoiding extra noise. During the Reporting Period, Sunny Optical Intelligence placed all extractor fans in designated rooms to isolate them from the operators and optimized the production process to reduce the use of extractor fans, thereby reducing the noise from 84 dB(A) to 73 dB(A).

Emission Key Performance Indicators

During the reporting period, the KPIs at the emission level are as follows:

Category	Unit	2023	2022	2021
Sulphur dioxide (Note 1)	Kg	1.0	0.8	1.0
Nitrogen oxides(Note 2)	Kg	605.7	466.2	515.3
Particulate matter (Note3)	Kg	57.8	44.4	49.0
Hazardous waste (Note 4)	tonnes	93.0	86.8	46.6
Hazardous waste intensity (Note 5)	Kg/ RMB million revenue	3.4	2.8	1.3
Total non-hazardous waste	tonnes	7,197.7	8,706.0	8,492.8
General non-hazardous waste	tonnes	3,268.1	5,057.6	4,842.1
Recycled waste	tonnes	3,929.6	3,648.4	3,650.7
Non-hazardous waste intensity	Kg/ RMB million revenue	261.9	283.6	229.3
Wastewater emission (Note 6)	tonnes	2,111,903.1	1,854,973.6	1,714,642.4

Notes

- 1.The emission factors of sulphur dioxide of the Group's diesel and gasoline are based on the EMFAC-HK Vehicle Emission Calculation (《香港環境保護署汽車排放計算模型》)。
- 2.During the Reporting Period, nitrogen oxide emissions increased by 29.9% due to the COVID-19 pandemic came to an end, various business exchange activities, an increase in bus mileage .
- 3.The emission factors of particulate matter of the Group's diesel and gasoline are based on the EMFAC-HK Vehicle Emission Calculation (《香港環境保護署汽車排放計算模型》) . During the Reporting Period, particulate matter emissions increased by 30.2% due to the COVID-19 pandemic came to an end, various business exchange activities, an increase in bus mileage .
- 4.During the Reporting Period, due to the introduction of new products and the increase in production equipment and production process of the Group, which led to an increase in the use of auxiliary materials. Total amount of hazardous waste increased by approximately 7.1% as compared to the year of 2022.
- 5.During the Reporting Period, the Group's hazardous waste intensity increased by approximately 21.4% compared with the year of 2022 due to the year-on-year increase in the Group's total hazardous waste and year-on-year decrease in revenue.
- 6.Wastewater emission is empirically calculated at 80% of water withdrawals.



03

Product Liability

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R&D Innovation

Adhering to the enterprise vision of “Be stronger, bigger and go further to become a ‘Hundred-Year-Old Brand’ in the optoelectronic industry” , the Group attaches great importance to technological innovation and continues to optimize the technological innovation strategy and R&D system, and constantly moves toward a new model “driven by technology and innovation” . We continue to focus on cutting-edge technologies and market needs in the industry, and make early development in strategic areas. Meanwhile, the Group continues to enhance the capabilities of its R&D personnel with a view to sustaining a stable and intense R&D development.

The Group has established a three-level R&D organizational system with clear positioning to ensure that the self-developed or introduced high-end and new technologies can be quickly applied to products:



The Level-I R&D organization:

is positioned at national enterprise technical centres, 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.

Clean Production

The Group is committed to producing green products that are safe for employees, customers and the environment. We have strictly adhered to international/domestic standards in the design of our products, selecting green materials or conducting a series of environmental tests on new materials to ensure they have no significant impact on the environment. We have established a library of environmentally friendly materials to ensure that green and environmentally friendly materials are used in the production of our products in compliance with laws and regulations. Sunny Automotive Optech regularly identifies the requirements of regulations and standards related to green substances, formulating the List of Green Substances Terms and Conditions (《綠色物質條款一覽表》) and the Administration of Green Substance (《綠色物質管理規定》) to improve the technical specifications for chemical safety of raw materials and the requirements for the determination of material certification, and also added the management of halogens in raw materials.


The Group also integrates the concept of sustainable development into the R&D strategy and actively promotes the R&D and application of clean technologies.

 **Design Stage**

We optimize the structural design to achieve the purpose of reducing raw materials consumption and energy consumption.

 **Material Selection**

We choose low-power consumption components and green environmentally materials.

 **Manufacturing Stage**

We improve manufacturing efficiency, reduce energy and material consumption by means of automation. In addition, we plan to purchase more clean energy to support green development in the future.

The clean technology projects launched by the Group during the Reporting Period and the corresponding achievements are shown as follows:

Company name	Clean technology projects	Measures and achievements
Sunny Optech	Low-power chips	A lower power chip was applied in the design of the product, reducing the power consumption of the module by approximately 23.0%, saving electricity by 0.0216-0.0378kwh per product's lifecycle (5 years), thereby saving energy and reducing emissions
	Application graphene	The product design was optimized by applying graphene on the backside of the module, increasing the thermal dissipation capacity by 4.6°C.
Sunny Automotive Optech	Material information transparency	Large plastic parts were engraved with information about the material type, which facilitates classification appropriate processing methods during recycling, improving the recycling efficiency and reducing resource consumption.
	Optimization of ADAS (Advanced Driver Assistance Systems) solution	The process was optimized so that one lens could serve both telephoto and wide-angle functions, saving approximately 50% of materials.
Sunny Optical Intelligence (Yuyao)	Optimization of gluing technology	A glue defoaming method was developed and the internal structure of gluing needles modified to achieve fully utilization of the glue, reducing 17-20% of glue consumption and approximately RMB470,000 during the Reporting Period, as well as reducing hazardous waste generated.
	Reduction AA glue (Cyanoacrylate) thickness	In-depth research was carried out on glue selection, structural design and process, with appropriate AA glue thickness standards established, reducing AA glue consumption by 20% and saving RMB1.12 million.
	TOF (Time of Flight) Module	Multi-zone addressable chips were adopted to achieve time division and zone division, reducing the overall power consumption of the module, resulting in a 75% reduction in power consumption during product operation.
	High heat dissipation PCBs (Printed Circuit Board)	Ceramic/aluminum PCB and other high heat dissipation PCBs were adopted to achieve product heat dissipation, lowering the maximum temperature of the device by up to 12°C during product operation.

With the increasingly obvious development trend of “**Electrification, Networking and Intelligentization**” in the automobile industry, the revenue contribution of new-energy vehicle-related modules in the Group's revenue is rising, and the potential for its growth is huge.

Protection of Intellectual Property Rights

Strengthening the refined management of intellectual property rights (“IPR”) and controlling potential IPR risks are the basis for cultivating core competitiveness. Strictly abiding by the Patent Law of the PRC (《中華人民共和國專利法》), the Rules for the Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and other laws and regulations, the Group has formulated the Intellectual Property Management Policy (《知識產權管理制度》) to reduce the potential risks of IPR infringement during the operation of the Group. We have also strengthened R&D innovations and the cultivation of core intellectual property achievements and further enhanced the effectiveness of their application, realizing the shift to emphasizing on both quantity and quality of intellectual property management, and enhancing the support of intellectual property management to the business operation and management objectives.

The Group has established a professional IPR management team to timely evaluate and protect various innovation achievements, so as to raise professional technology barriers and expand technological advantages. The IPR work is directly managed by the CEO of the Company. The Legal Affairs Department of the Company, as the main responsible department, organizes the IPR personnel of each subsidiary to carry out daily management work. To enhance the communications among the IPR team, the Legal Affairs Department of the Company holds regular IPR meetings on quarterly basis and carries on learning and sharing sessions irregularly.

The Group worked on a range of other IPR related work to raise the awareness of IPR protection, strengthen IPR risk prevention and improve the IPR talent system. During the Reporting Period, the Group conducted a number of surveys on the learners studying intellectual property training system and completed the optimization and launch of the courses in the intellectual property training system. At the same time, we combined special activities such as Intellectual Property Day to create an atmosphere for protecting intellectual property rights and encouraging knowledge innovation.

To encourage employees to engage in R&D and technology upgrading, and to build up market competitiveness and technological innovation capability, the Group has formulated the Rules for Granting Incentives for Intellectual Property Rights (《知識產權激勵實施細則》). During the Reporting Period, The number of patents/technical secret awards received by the Group was 3,357, totaling RMB1,948,317

We have also introduced the IPR management platform and database to improve the efficiency of approval process, maturity monitoring, data summarizing and maintenance. In order to enhance the convenience of using the database and better meet the needs of the R&D personnel and patent management personnel of each subsidiary, during the Reporting Period, the Legal Affairs Department centralized the procurement of the specialized search databases to improve the efficiency of the intellectual property management team.



During the Reporting Period, four subsidiaries of the Company, namely Sunny Zhejiang Optics, Sunny Opotech, Sunny Automotive Optech and Sunny Optical Intelligence (Yuyao) passed the certification of the Standards for the Management of Corporate Intellectual Property Rights (《企業知識產權管理規範》) (GB/T29490), indicating that the Group has established a more scientific and systematic intellectual property management system, which will further boost the technological innovation and enhance the core competitiveness of the enterprise for its sustainable development.

IPR Day Activity

In April 2023, the Legal Affairs Department organized a series of training on intellectual property activities, completed six training sessions for patent management personnel and four exchanges with partner institutions. The activities included patent review opinions, patent information analysis, trademark risks, litigation cases and patent layout, as well as in-depth exchanges conducted with partner institutions.



Product Quality Control

Quality Principle

Think before We Leap, Strive for Excellence

Product quality and safety are the basis on which the Group stands. We strictly abide by the national laws and regulations, including the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and the Tort Law of the PRC (《中華人民共和國侵權責任法》) etc., and establish a sound quality management system. Four subsidiaries of the Company, namely Sunny Zhejiang Optics, Sunny Opotech, Sunny Automotive Optech and Sunny Optical Intelligence (Yuyao) have 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 (“HSPM”). Among them, Sunny Zhejiang Optics and Sunny Opotech have obtained relevant certifications. In addition, Sunny Automotive Optech, and Sunny Optical Intelligence (Yuyao) have passed the IATF 16949 certification on the quality management system in automotive industry; Sunny Opotech has passed the certification on electro-static discharge (“ESD”) management system. The quality assurance (“Quality Assurance”) department of each subsidiary of the Company is the main responsible department of quality supervision with its functions including the establishment and maintenance of the system and the management of hazardous substance free (“HSF”), etc. We also defined the requirements and contents of quality management, environmental management and hazardous substance management through a series of management policies, and are committed to continuously improve product quality and providing customers with more quality products.



Sunny Automotive Optech: Certificate of Quality Management System in Automotive Industry



Sunny Opotech: Certification of Quality Management System



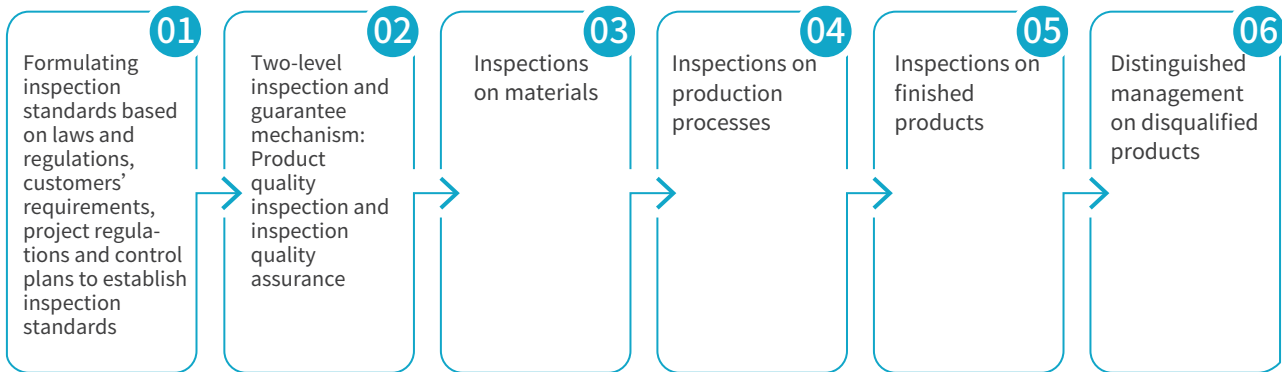
Sunny Zhejiang Optics: Certificate of HSPM



Sunny Optical Intelligence (Yuyao): Certificate of Quality Management System

Improving Product Quality

Production Management Flow Chart



We conduct reliability verification of products at different stages to ensure product quality and meet customers' demands. During the Reporting Period, in order to better provide the Company with experimental testing foundation, we newly built and renovated a laboratory in the Yuyao Chengxi industrial base, with a floor area of approximately 3,000 m². The laboratory has a total of more than 70 sets or units of large instruments, equipment and systems, and is a comprehensive laboratory focusing on reliability testing, material analysis and testing, failure analysis and testing, and Electromagnetic compatibility testing. Following the principle of "impartiality, reliability, and rapid response", the laboratory has been exploring the paths of development, serving internal customers and striving to build a testing support platform for the upstream and downstream industries as well as optoelectronic complexes. The laboratory has passed 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》). Products which cannot be tested in the Group's laboratories under special inspection requirements, we will conduct the inspections through cooperation with third-party laboratories.

The Group conducts full-process management on product labelling and traceability and stipulates the labelling and traceability of materials through management policies such as Product Labelling and Traceability Control Procedure (《產品標識和可追溯性控制程序》). We arrange designated employees to check information during the process of procurement, storage, production, packaging for storage and delivery to ensure that products are not confused or lost during the turnover and storage. At the same time, we reduce quality risks through the traceability management, thereby protecting the rights and interests of customers.

During the Reporting Period, Sunny Automotive Optech formulated a "zero-defect" quality management program, establishing the concept of doing things right at the first time. In this way, employees can enhance their sense of responsibility for quality and achieve "zero-defect" quality, thereby improving product quality, continuously reducing quality costs, and enhancing efficiency.

Case of Quality Improvement

Company name	Project Name	Project Description
Sunny Optical Intelligence (Yuyao)	Introduction of automatic coating technology for conformal coating	Conformal coating application technology for complex motherboard products is introduced, reducing the time for a single line change and significantly improving operation efficiency, with the first pass yield up from 90.55% to 99.48%.
	Improvement of First Pass Yield (“FPY”)	Analysis is conducted to understand the factors affecting FPY and improvement is made with the medium and high-risk factors accordingly, achieving an increase in FPY from 97.07% to 98.45%.
Sunny Zhejiang Optics	Improvement of product scratches	Strict training on the “pick near, place far” approach is conducted, and softening the obstacles barriers are applied at each station after landing, increasing the yield rate by 0.35%.
	Mitigation of foreign matters	Control measures are implemented to mitigate on-site foreign matters by avoiding their entry, generation and discharge, thereby enhancing the competitiveness of our products, and lowering the defect rate of foreign matters by 2.35%.

The Group also formulates the detailed quality training program every year, covering various topics such as trainings on quality awareness and quality tools. We also provide quality training to relevant departments via basic knowledge lectures, case studies and hands-on exercises.

Quality Month Activities

To create an atmosphere of quality culture in the Company, enhance the quality awareness of all employees,, Sunny Optical Intelligence (Yuyao) organized a quality culture training for all staff in September centering on the core idea of “quality is dignity, not doing it well is a disgrace” and actively responded to the National Quality Month. We promoted the quality culture of “into the eyes, into the mind and into the heart” via publicities like putting up posters, roll up banners and display boards, as well as activities such as the 5M1E (see note) search, the Best Quality Controller Competition, the discussion and study on the topic of “How to Fulfill both Inherent and Customized Quality Requirements” , quality culture debate contest and quality knowledge contest.



Note

5M1E means that the quality of products is affected by six factors in the manufacturing and production process: Man, Machine, Material, Method, Measurement and Environment. These six factors are abbreviated as 5M1E.

Quality Lecture

We pursue endless learning and improvement on quality. During the Reporting Period, Sunny Opotech conducted quality assurance activities including discussion and learning for all managers of the Quality Center under the theme of “How to Fulfill both Inherent and Customized Quality Requirements” ; training on quality management concepts, product quality indicators, and anomaly case analysis for members of the customer group; training on the 5M1E analysis method, interpretation of anomaly process, analysis of errors and omissions in mixing materials, and improvement of quality awareness for junior managers and employees of manufacturing workshops. The training further strengthened the quality awareness and expertise of the employees. Sunny Zhejiang Optics organized three sessions of quality management sharing with the theme of striving for “Zero Defect” and adhering to the themes- of “Getting Things Done Right at the First Time” , with a total of more than 400 people attending the events. The course strengthened participants’ quality awareness and clarified the method of achieving the zero defect objective.



Management of Hazardous Substances

We have been adhering to the concept of “Environmental Protection and Health” since the very beginning of product design. To guarantee that our products do not have significant environmental impact, we select green and environmental materials from the self-developed database of environmental materials that are in line with the requirements of laws and regulations, as well as conduct the whole life cycle environmental testing. The Group strictly abides by international norms including the Directive on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (《關於限制在電子電氣設備中使用某些有害成分的指令》) (the “RoHS”) of the European Union, the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (《化學品的註冊、評估、授權和限制規則》) (the “REACH”) of the European Union and the Regulation on Persistent Organic Pollutants (《持久性有機污染物法規》) (the “POPs”), as well as the national standards such as the Limit of Volatile Organic Compounds Content in Adhesive (《膠粘劑揮發性有機化合物限量》). In addition, Sunny Automotive Optech complies with the requirements of the Global Automotive Declarable Substance List (《全球汽車申報物質清單》) (the “GADSL”), and complies with the agreement on the End-of-Life Vehicles (《報廢車輛指令》) (the “ELV”) in accordance with customers’ requirements. Sunny Opotech and Sunny Optical Intelligence (Yuyao) comply with the provisions on the Waste Electrical and Electronic Equipment (《報廢電子電氣設備指令》) (the “WEEE”). 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, internal network and other forms. In addition, the Group also actively responds to customers’ higher demands on chemical substance management compared with the requirements of laws and regulations to ensure that the products meet the requirements of customers. During the Reporting Period, Sunny Optics replaced benzene-containing red glue with benzene-free white glue according to customers’ requirement; Sunny Car Optics used cadmium- and compound-free glue at the request of customers; and Sunny Zhejiang Optics used oils and weak acids in accordance with hazardous chemicals quality control.

We have set the HSF management targets, established the comprehensive hazardous substance control processes, and publicly disclosed the Chemical Management Statement (《化學品管理聲明》) on the sustainable development section of Company’ s website. The Group has identified 100.0% of the chemicals used and classified chemicals into categories such as forbidden immediately, forbidden in stages and recommended as inappropriate substances. In addition, the Group takes the initiative to manage chemicals and reduces the use of certain chemicals in advance. During the Reporting Period, Sunny Optical Intelligence (Yuyao) introduced more environmentally friendly chemicals like A548 to replace isopropyl alcohol and A513 to replace ethanol, in order to reduce the related impacts on the environment. Meanwhile, to cultivate the HSF management ability of suppliers, we provide suppliers with green substance training at least once a year, highlighting green substance management policies, customer requirements and the implementation requirements of latest laws and regulations.

Company name	HSF management targets	Completion of targets in 2023
Sunny Zhejiang Optics	<ul style="list-style-type: none"> 100.0% products of conforming to the HSF requirements proposed by customers Zero HSF non-conformity incident 	Achieved
Sunny Opotech	<ul style="list-style-type: none"> 100.0% completion rate for HSF order reviews 100.0% completion rate for raw material HSF sample inspection Zero pollution incident in manufacturing process 100.0% qualification rate of reverse verification 100.0% pass rate for finished product HSF sample inspection Zero complaint from customers related to HSF 	Achieved
Sunny Automotive Optech	<ul style="list-style-type: none"> Conduct new supplier introduction audits according to the Guideline on HSF Risk Appraisal for Suppliers (《供應商 HSF 風險評估指南》) and achieve a 100.0% new supplier induction compliance rate 	Achieved
Sunny Optical Intelligence (Yuyao)	<ul style="list-style-type: none"> 100.0% pass rate for green products 100.0% safe disposal rate for hazardous solid waste Zero environmental complaint from related parties 	Achieved

Suppliers sign the relevant warranties for not using hazardous substances

Suppliers provide credential materials such as Precision Analysis Report on Hazardous Substances, and Material Safety Data Sheet ("MSDS"), etc.

Conducting RoHS test by means of X-ray fluorescence analysis ("XRF") or entrusting to the external party according to the actual situation; the RoHS mark will be affixed to the product certification of qualified products

HSF Management Process

Sunny Zhejiang Optics

All materials meet the requirements of RoHS and REACH, and the HSF Management Manual (《HSF 管理手冊》) was formulated according to the requirements of IECQ QC 080000 hazardous substance process management system. The HSF organizational structure has been established according to HSF Management Manual (《HSF 管理手冊》), led by the general manager, and has specified the control procedures for the identification, recording, isolation and disposal of HSF unqualified products, clarified the reporting channel and handling methods of HSF unqualified products through HSF Unqualified Product Management Standard (《HSF 不合格品管理標準》) to ensure that HSF unqualified products do not flow into the next process or leave the factory. Sunny Zhejiang Optics has also designated a management representative as the chairman of the Standardization Committee to orally report to the customer within 3 hours after discovering the HSF unqualified products, and submit a formal written report to the customer within 24 hours.

Sunny Opotech

All materials meet the requirements of RoHS and REACH. Sunny Opotech has 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 substances, and prepared the hazardous substance reduction plan to control the consumption of 173 chemical substances such as lead, cadmium and mercury. Meanwhile, Sunny Opotech has RoHS specialists to deal with HSF related customer complaints. If HSF unqualified products were found, they shall be recalled or destroyed within 48 hours to prevent the spread of toxic and hazardous substances.

Sunny Automotive Optech

All materials meet RoHS and REACH requirements, and the general manager is responsible for formulating green substance management targets and policies. Sunny Automotive Optech has formulated the Administration of Green Substance and Technology (《綠色物質技術管理規定》) and transmitted relevant requirements to suppliers, and has conducted risk analysis on suppliers' materials, scale, HSF performance and related information and system through the HSF Risk Appraisal (《HSF 風險評估指南》). Individual suppliers will log in the chemSHERPA platform (Note) according to the specific requirements of customers and submit questionnaires concerning chemical substances, so as to assist customers in better managing the chemical substances. Sunny Automotive Optech also discloses chemical substance information to customers through the International Material Data System (the "IMDS"), the China Automotive Material Data System (the "CAMDS") and other platforms or customers' platforms.

Sunny Optical Intelligence (Yuyao)

All materials meet the requirements of RoHS and REACH. Sunny Optical Intelligence (Yuyao) has 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 substances, and to control 233 chemical substances such as anthracene, sodium chromate and boric acid. In order to better manage its suppliers, Sunny Optical Intelligence (Yuyao) has investigated the environmental management system, product design, material usage, supplier control, defective product handling, production process management and delivery process of such suppliers through the HSF Audit Form (《HSF 稽核表》).



Note

The platform is able to accurately and efficiently transmit the information of chemical substances contained in products.

Product Recall Mechanism

The Group has established a product recall mechanism. For the subsidiary of the Company, namely Sunny Opotech, under the circumstance when HSF non-conformity product has been shipped out, the related department shall trigger the recall mechanism according to the Procedures on HSF Product Recall Mechanism (《HSF 產品召回控制程序》) to identify and confirm whether it is under the recall situation. If the recall situation is confirmed, the Quality Assurance Department shall submit the Product Recall Notification (《產品召回通知單》) and publish notification to conduct recall and isolation treatment, together with analyzing the causes, formulating improvement and preventive measures at the same time. Sunny Optical Intelligence (Yuyao) has established the Procedures on Product Quality Control (《產品質量控制程序》), which specifies that the Marketing Department needs to notify customers of the abnormalities and initiate a recall procedure when there are functional defects or hazards in shipped products, poor appearance that affects the installation, or when there is a potential problem of wrong materials or mixed materials.

During the Reporting Period, there were no products sold or shipped of the Group subject to recalls for safety and health reasons. At the same time, the Group had no violations related to product, service information, labeling or marketing communications.

Information security management

Management Policy

Enhancing the core competitiveness through active prevention, ongoing optimization, risk control, safety and efficiency, and customer trust.

Information security control is an important part of our business operation. Therefore, we attach great importance to the protection of employees' privacy and commercial secrets. The Group strictly abides by laws and regulations such as the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Data Security Law of the PRC (《中華人民共和國數據安全法》) and the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), and professional management personnel of the Information Technology Department and the Legal Affairs Department are responsible for information security management. Sunny Optical Technology, Sunny Zhejiang Optics and Sunny Opotech have established a comprehensive information security management system and have passed the certification of ISO 27001 information security management system. In addition, Sunny Automotive Optech has passed the Trusted Information Security Assessment Exchange ("TISAX") certification.

To fulfil the mission of information security, we have established the Information Security Management Committee as the steering body for daily information security management activities. The committee makes decisions on major information security management issues after reviewing the Group's policies and strategies, annual plans, general management principles and normative documents. Representatives of information security managers are appointed to set up a working group that oversees the operation of the information security management system. During the Reporting Period, the Company established an information security inspection mechanism whereby the Legal Affairs Department and the Information Technology Department jointly conducted information security audits, covering four subsidiaries, namely Sunny Zhejiang Optics, Sunny Opotech, Sunny Automotive Optech and Sunny Optical Intelligence (Yuyao), and provided feedback reports for on-site inspection in order to assist each of its subsidiaries to better carry out information security management. Besides, to realize the unified management of information security, we have designed the Information Security System Management Blueprint 2.0 at the group level, integrated two sets of management systems for trade secrets and information security, and made a list of 38 integrated policies. Six integrated policies are revised, including the General Principles of Information Security Management System (《信息安全管理体系总则》), the Information Security Management Policy (《信息安全管理制度》), the Information Asset Classification and Grading Control Procedure (《信息资产分类分级控制程序》), the Information Release Management Regulations (《信息發佈管理規定》), the Company Access Management Regulations (《公司出入管理規定》), and the Information Equipment Management Regulations (《信息設備管理規定》). This is to clarify management policies and objectives, improve organizational structure and management responsibilities, and realize life-cycle management of information equipment.

To protect the legitimate rights and interests of the Group's employees, we have formulated the Implementation Measures for the Non-Competition Agreement (《競業限制協議實施管理辦法》) according to the four principles of "full coverage of all employees, strict application, intensive follow-up and evidence retention", clarified the relevant management departments and responsibilities of the Company and its subsidiaries, and improved the requirements of the full life cycle of non-competition from signing to termination. As at the end of the Reporting Period, the signing rate of the Non-Competition Agreement of the Group reached 100.0%.

Meanwhile, we restrict and guide the behaviors with leakage through 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 effectively enhance the confidential awareness of employees. We organize three-level (company, department and position levels) training and regularly provide information security training by various means. During the Reporting

Period, at the company level, the “Information Security Knowledge Sharing” (“信息安全知多少”) campaign we launched to release promotional videos every two months, and issued the “Information Security Guardian” (“信息安全守護者”) journal every month, reaching 78 thousand people. At the department level, we carried out internal auditor qualification training on ISO27001 system, and the information security management training system was included as a prerequisite for qualification evaluation. At the position level, special training sessions on information security were organized for privileged personnel. In addition, the subsidiaries also have been carried out various vivid publicity activities according to their actual situation. For example, Sunny Zhejiang Optics carried out regular information security campaigns covering all employees through information security-themed official account tweets and promotional e-mails, which were well received by the employees.

The Group has smooth internal communication channels. Employees can directly provide feedback on information security issues through the information security liaison station on the internal system. Customers can complain about information security through telephone or e-mail, etc. During the Reporting Period, the Information Technology Department of the Company participated in the cyber security attack exercise “Cyberguard Action (護網行動)” organized by the governmental departments and scientific research institutions and intercepted thousands of cyber-attacks from external sources as the defender, marking the success of completing the task.

Information Security Seminar

The Group Information Technology Department invited the Network Police Brigade of the Municipal Public Security Bureau to provide lecture on raising awareness of information security. The lecture provided technical explanations from multiple aspects, including how to avoid information security fraud, current landscape and threats of cyber security, and specific methods for information security protection. Through detailed analysis of typical cases, employees became fully aware of the importance of information security.



Customer Rights and Interests Protection

The Group continues improving the customer service system. We have formulated Customer Relationship Control Procedure (《顾客关系控制程序》) and various customer complaints and feedback handling procedures in order to standardize the customer complaint handling processes and discover the problems in the management system in a timelier manner. Customers could express their opinions or raise their complaints through e-mail, telephone, letter and other means, and the relevant departments of the subsidiaries of the Group will follow up in time.

Customer Complaint Management Standards

After receiving the customer's complaint, the customer service shall convene all relevant departments to review and determine the causes and countermeasures within 48 hours, reply the customer within the requested time frame after the completion of countermeasure report;

If the customer has no special requirements, the customer service shall reply according to the "2485 Principle" (Note);

In terms of serious complaints, the Quality Assurance Department shall take emergency measures within 24 hours;

Submit a handling report within 3 working days after investigation and handling.

Sunny Zhejiang Optics has formulated the Customer Complaint Management Standards (《顧客投訴管理標準》) and divided the complaints into serious complaints and general complaints according to their seriousness. Sunny Automotive Optech has also set up a quality issue evaluation team to provide a platform for rapid handling of customer complaints / feedback problems, in order to timely and effectively deal with customer complaints, prevent similar problems from happening again.



Notes

The "2485 Principle":

1. The first response shall be made within 2 hours;
2. Emergency measures and secondary response shall be made within 24 hours;
3. Cause analysis, countermeasures and third response shall be made within 48 hours; and
4. Implement and verify the effectiveness of countermeasures and fourth responses shall be made within 5 days.

To improve the matching of products with customer needs, the Group organizes the customer satisfaction survey every year to understand customers' satisfaction on the Group's product quality, service, price, technology, etc., and then carries out an internal systematic improvement according to the survey results to enhance customer satisfaction. Sunny Opotech has established the Operational Regulations on Customer Satisfaction Surveys (《顧客滿意度調查作業規範》) and regularly distributes questionnaires to key customers to collect their feedback. In response to the customers' opinions, Sunny Opotech convenes responsible departments to analyze the causes, take corresponding corrective and preventive measures, and timely follow up the progress of problem solving and form a complete cycle in accordance with the Control Procedures for Corrective and Preventive Measures (《糾正和預防措施控制程序》). Sunny Optical Intelligence (Yuyao) has formulated the Procedures for Customer Relationship Control (《顧客關係控制程序》), which clarifies the rights and responsibilities of each department. The Marketing Department issues customer satisfaction survey to key customers every year and achieves over 80.0% collection. Where the total score in the customer satisfaction survey is not up to the standard or any individual item is lower than 70.0%, the responsible department shall analyze the causes and take corrective measures to enhance customer satisfaction.

In addition to the satisfaction survey, an annual customer visit plan is formulated in accordance with to the location and importance of customers so as to obtain the customers' opinions and requirements more effectively, and enhance customer stickiness and promote long-term and stable cooperation with customers. Furthermore, the Company also invite customers to our Company for communication and empowerment. During the Reporting Period, Sunny Zhejiang Optics invited customers for exchanges on structural development (NCI) process management, to promote orderly and efficient project development.

Information on customer complaints and satisfaction surveys (on a percentage basis) for the four subsidiaries of the Company in the Reporting Period is shown in the table below:

Company name	Number of customer complaints	Customer complaint resolution rate	Customer satisfaction
Sunny Zhejiang Optics	342	100.0%	87.3
Sunny Opotech	816	100.0%	98.1
Sunny Automotive Optech	23	100.0%	89.6
Sunny Optical Intelligence (Yuyao)	60	100.0%	95.8

Customer Information and Data Protection

The Group takes privacy issues very seriously and protects the data information and privacy of its customers, business partners and employees to the utmost. The Group has complied with relevant laws and regulations in relation to customer information protection. The Information Security Management Committee has been delegated to manage, implement and monitor the Group's customer data protection and privacy policies.

During the Reporting Period, there was no leakage of customer information happened in the Group.



04

Supply Chain Management

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The Group is fully aware that the sustainable development of enterprises calls for the cooperation of the supply chain. Therefore, we are committed to building a harmonious and long-term business cooperation relationship and promoting the sustainable development of the overall industrial chain.

Supply Chain Management System

We give priority to suppliers with excellent sustainable development performance in order to prevent or minimize potential environmental and social risks in the Group's supply chain. In addition to complying with the requirements of the relevant laws and regulations, the Group's suppliers are required to comply with the Group's Code of Conduct for corporate social responsibilities ("CSR") and convey our concept of sustainable development to upstream suppliers. To identify the environmental and social risks along the supply chain, the Company's subsidiaries have established a complete organizational framework of supply chain management, responsible for resource development, supplier performance appraisal, supplier sustainable development ability evaluation, supplier qualification approval and other related work. In combination with QC 080000 hazardous substance management system standard and relevant requirements of customers, we have formulated a number of supplier management policies such as the Procedures for Management Control of Suppliers (《供應商管理控制程序》) and the Control Procedures on Development and Appraisal of Suppliers (《供應商開發和評價控制程序》), so as to establish comprehensive management regulations and operational processes such as supplier introduction, routine management, audit and evaluation, and removal.

The procedures for the management of suppliers of the Group are outlined below:



To identify environmental and social risks along the supply chain, each subsidiary of the Group conducts a hierarchical management on suppliers according to the importance or the risk level of materials. Sunny Automotive Optech has formulated the supplier supervision plan according to the Rules for Annual Audit of Suppliers (《供應商年度審核規劃》), and conducts annual audit on the suppliers providing direct components of the products. The audit covers the supplier's products of the whole production process, including the quality management system, RoHS management standards and other relevant contents, requiring suppliers that failed to meet the provisions to complete the improvement work within three months according to the Supplier's Deficiency Improvement Schedule (《供應商缺失改進計劃表》). Sunny Optical Intelligence (Yuyao) prepares an annual supplier audit plan at the beginning of each year, with reference to which the Resource Management Department takes the lead and organizes the relevant staff of the Quality Assurance Department and the R&D Department to participate in the audit. For issues identified during the audit process, the subsidiaries are required to notify and request the supplier to complete the rectification work within two months. The Group has also developed a supplier removal mechanism. Suppliers will be removed from the list if they have serious quality problems or the materials used fail to meet the latest environmental protection requirements with no effective improvement measures.

The Group has adopted the Supply Chain Management System (《供應鏈管理體系》) to prevent suppliers' risk in terms of social responsibility and environmental protection and to build a sustainable supply chain. The Group has also publicized the declaration of the Supply Chain Management System (《供應鏈管理體系》) on the sustainable development section of the Company' s website. We require suppliers to commit to safeguarding the human rights of employees in accordance with the standards generally recognized in the international community, prohibiting the use of child labor, forced labor, discrimination against employees, and guaranteeing employees' basic salary, social insurance, etc.

During the supplier development and introduction stage, the Group inspects suppliers' environmental and social risks, green partner ("GP") systems, and promotes CSR awareness-raising for suppliers. Suppliers are encouraged to use environment-friendly products or services, such as purchase green energy, use crates instead of cardboard boxes to reduce wastes, carry out compliance treatment on chemical effluent during the production processes, etc. and required to sign various letters of undertaking to ensure the compliance with the relevant CSR requirements of the Group.

The Agreement on Social Responsibilities (《社會責任協議》)

Raises requirements on suppliers on the aspects of labor interests, environmental protection, occupational health and safety, business ethics and other aspects.

The Undertaking for Operating with Integrity (《誠信經營承諾書》)

Forbids commercial bribery, corruption, fraud and other improper behaviors to safeguard the legitimate interests of both parties.

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 the emissions, wastes and noises involved in the production, activities and transportation process meet relevant standards.

The Undertaking for Non-use of Prohibited/Restricted Substances Under Relevant Environmental Regulations (《不使用有關環境法規中禁用 / 限用物質承諾書》)

Requires suppliers to meet the requirements of relevant laws and regulations on environment/occupational health and safety, and ensure the emissions, wastes and noises involved in the production, activities and transportation process meet relevant standards.

In addition, the Group annually conducts risk assessments on suppliers to ensure the stable operation of the supply chain. The assessment items mainly include the places where the suppliers are located, supply routes, the types of products and services provided, the brands and sources of production raw materials, the risks on green and environmental products, CSR and business ethics, etc., and pays continuous attention to the qualified suppliers. At the same time, we have developed a supplier map and a complete supplier database to promptly identify supply risks and take measures in reaction to emergencies or irresistible factors. The Group has also formulated the Supplier Reward and Punishment Policy to better regulate the products and services of suppliers provided.

Human health and environmental factors are also taken into consideration when looking for suppliers with high-quality products and services. During the Reporting Period, Sunny Zhejiang Optics worked with its suppliers to develop plastic materials that do not contain per- and polyfluoroalkyl substances ("PFAS") and promoted the use of NO-PFAS materials. To reduce energy consumption and carbon emissions during transportation, Sunny Automotive Optech encourages suppliers of plastics and lens to use eco-friendly and recyclable packaging. In addition, Sunny Automotive Optech adopts lightweight packaging designs for its own products. Sunny Optical Intelligence (Yuyao) promotes the blister boxes recycling in order to reduce the costs of raw materials packaging. For procurement activities, we give priority to suppliers in Zhejiang Province to reduce the environmental impact of transportation, as long as factors such as quality and delivery time are guaranteed.

As at the end of the Reporting Period, the number of Class I suppliers (Notes) of four subsidiaries of the Company, namely Sunny Zhejiang Optics, Sunny Opotech, Sunny Automotive Optech and Sunny Optical Intelligence (Yuyao) was 946. All of which have complied with the supplier engagement practices in the Supply Chain Management System (《供應管理體系》). Approximate 92.8% came from Mainland China, with the rest mainly located in Hong Kong. The KPIs of Class I suppliers are as follows:

Category	Sunny Zhejiang Optics (Number)	Sunny Opotech (Number)	Sunny Automotive Optech (Number)	Sunny Optical Intelligence (Yuyao) (Number)	Total (Number)
Number of new suppliers during the year	15	75	15	7	112
Accumulative number of suppliers that signed the CSR-related undertakings	98	474	66	125	763
Number of suppliers with CSR audits during the year	98	105	56	7	266
Accumulative number of suppliers that signed the certificates promising not to use hazardous substances	121	426	66	125	738
Number of suppliers recognized as having negative environmental and social impacts during the year	0	0	0	0	0
Accumulative number of suppliers using environmental products and services and achieving management on environmental procurement	136	372	71	125	704
Proportion of purchase amount from Zhejiang suppliers during the year in terms of the total annual amount	23.0%	9.1%	16.5%	16.6%	18.3%
Accumulative number of suppliers in Zhejiang Province	48	130	28	15	221

Notes

1. The Class I suppliers of Sunny Zhejiang Optics refer to the suppliers that provide product components, processing raw materials, packaging materials, hazardous chemicals and chemicals in direct contact with products.
2. The Class I suppliers of Sunny Opotech refer to the suppliers that provide the direct product components, equipment and using tool.
3. The Class I suppliers of Sunny Automotive Optech refer to the suppliers that provide the direct product components.
4. The Class I suppliers of Sunny Optical Intelligence (Yuyao) refer to the suppliers of raw materials that provide the direct product components and have contacts with the products or materials during processing.

Conflict Minerals Procurement

The Group actively responds to the policy aiming to prohibit the use of conflict minerals to fulfil its corresponding social responsibilities. We have published the relevant summary and regulations of the Conflict Minerals Management (《衝突礦產管理》) on the sustainable development section of the Company’s website, and promised not to endorse and to use conflict metals from conflict regions and without a third-party certification. We transmit the relevant requirements of Dodd-Frank Wall Street Reform and Consumer Protection Act (《多德—弗蘭克華爾街改革和消費者保護法》) to suppliers, and require them to comply with the regulations on conflict-free metals, strictly implement the relevant standards of international organizations and industries, and sign the Undertaking for Non-Use of Conflict Minerals (《不使用衝突礦產承諾書》), the Corporate Social Responsibility Commitment (《企業社會責任承諾書》), the Environmental Safety Requirement Notification (《環境安全要求告知書》) and other relevant agreements. We also investigate suppliers whose products contain tantalum, stannum, gold, tungsten and cobalt to ensure that these metals and minerals come from qualified smelters.

Subsidiaries of the Company have formulated the Regulations on the Administration of Green Substance (《綠色物質管理規定》), the Technical Standards on Environmental Management of Products (《環境管理物質技術標準》), the Regulations for the Recognition of Parts (《部品承認規範》) and other policies. In addition, Sunny Opotech has also formulated the Management Measures for Mineral Control Related to Social Responsibility (《社會責任相關礦產控制管理辦法》) and the annual audit plan to manage and conduct on-site audit on suppliers.

Sunny Zhejiang Optics, Sunny Opotech and Sunny Optical Intelligence (Yuyao) have conducted due diligence of metals involved in the supply chain using conflict minerals questionnaires such as the Conflict Minerals Reporting Template (《衝突礦產報告模板》) (“CMRT”) and the Extended Minerals Reporting Template (《擴展礦產報告模板》) (“EMRT”) developed by the Responsible Minerals Initiative (“RMI”). If a supplier is involved in conflict minerals and without a third-party certification, it will be prohibited from supplying goods to the Group. During the Reporting Period, Sunny Zhejiang Optics and Sunny Optical Intelligence (Yuyao) completed the investigation and audit on all incoming product material suppliers and found no non-conformities. Sunny Opotech also completed the relevant audits and confirmed that the smelters involved had been included in the third-party certification lists such as RMI.

The audit results of conflict minerals of the Group’s Class I suppliers as at the end of the Reporting Period were as follows:

Category	Sunny Zhejiang Optics (Number)	Sunny Opotech (Number)	Sunny Automotive Optech (Number)	Sunny Optical Intelligence (Yuyao) (Number)	Total (Number)
Proportion of products with traceable raw material sources	100.0%	100.0%	100.0%	100.0%	100.0%
Accumulative number of suppliers having filled in the conflict minerals reporting template	96	177	0	44	317
Accumulative number of suppliers undergoing the audit of conflict minerals	121	177	65	21	384
Accumulative number of suppliers involved in conflict minerals with third-party certification	0	12	0	0	12

Supplier Communication

The Group cherishes a cooperative vision of “**Mutual Benefit and Common Growth**” . We provide suppliers with full support on technology, management and other aspects, to advance two-way communication and knowledge sharing with suppliers through questionnaires, telephone, e-mail, online and on-site exchanges, and other means to promote win-win cooperation.

We hold annual supplier exchange conference with core suppliers. In addition to reviewing the cooperation situation of previous year, we also reward outstanding suppliers and propose targets and expectations on the cooperation for the following year. Sunny Automotive Optech discussed with partners at the supplier conference on how to seek new development opportunities in the current industry downturn aiming for achieving mutual benefit and win-win cooperation. Upholding the concept of “**Seek Progress in Downturn, Strive for Win-win Cooperation**” . Both parties will continuously explore innovation, and improve product quality and service levels to provide competitive products and services to customers. In addition, we keep on promoting and empowering our suppliers on ESG-related matters. During the Reporting Period, Sunny Opotech conducted online HSF training for key suppliers, covering regulatory consultation, explanation of HSF requirements by Sunny Opotech, explanation of special requirements for customers and explanation of the operation of the supplier relationship management system.



Group Photo of Supplier Exchange Conference

Reverse Empowerment for Suppliers

During the Reporting Period, the Group invited adhesive suppliers to provide relevant training to the adhesive application team, helping attendees understand and master the routine testing of glue applications, mobile Camera Module solutions, automotive solutions, AR/VR solutions, thermal management solutions, etc.

During the Reporting Period, Sunny Zhejiang Optics invited suppliers to provide training to the UV spectrophotometer testers. This training primarily covered equipment application, testing standards and methods, as well as extended application in the later stage, aiming to enhance the accuracy of testing by the testers.



05

Friendly Workplace

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The Group identified the key words of the Employer Value Proposition (“EVP”) as “Professionalism, Innovation, and Development” based on the employer brand value house model, and further refined the Group’s EVP as “Pursue in Optics, Create in Optics and Achieve in Optics”. In the future, we will continue improving the working experience of employees, as well as our reputation in the society to form an internal and external synergy and attract more talents to join the Group.

Employer Brand Value

To timely, reasonably, and effectively select the talents needed by the Group and swiftly allocate human resources to various positions, the Group has established policies such as the Regulations on the Management of Employee Work Resumption (《員工復職管理規定》), the Internal Recruitment Management Method (《內部招聘管理方法》), the Internal Recommendation System (《內部推薦制度》), the Social Recruitment Employment Implementation Measures (《社會招聘錄用實施辦法》) and the Administrative Measures for Employee Probation Period (《員工試用期管理辦法》). We adhere to principles of fairness, justice, transparency, respect, and mutual selection. During the Reporting Period, the Group was honored as the 2024 Most Influential Employer by Haitou.cc. We also received honors as the Outstanding Post-doctoral Workstation in Ningbo, the “Most Popular Employer among Graduates” by the Graduate Employer Branding Alliance of Zhejiang University of Technology, and the Best Practice in Human Resource Digitalization by Moka.



▲
Best Practice in Human Resource Digitalization
by Moka



▲
2024 Most Influential Employer by Haitou.cc



▲
Outstanding Post-doctoral
Workstation in Ningbo



▲
Most Popular Employer among Graduates by
Zhejiang University of Technology

Safeguarding Employees' Rights and Interests

Labor Standards

We strictly abide by the requirements of laws and regulations such as the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》), and the Labor Dispute Mediation and Arbitration Law of the PRC (《中華人民共和國勞動爭議調解仲裁法》), and manage talents legally, reasonably and effectively. At the same time, the Group has formulated the Employee Handbook (《員工手冊》), covering employees' compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

The Group encourages and advocates equal opportunities for employees and adheres to the diversified and humanized management philosophy. We advocate equal communication, respect the personalities of employees, listen to their opinions and accept reasonable suggestions from them. In addition, we have published the Labor Policy (《勞工政策》) on the sustainable development section of the website of the Company and promise that the employment, treatment or promotion of employees shall not be affected by their social identities such as ethnicity, race, nationality, gender, religion, age, sexual orientation, political affiliation, or marital status.

Pursuant to the Group's internal measures, we prohibit the use of child labor or forced labor, and conduct regular trainings for the management. In the promotional materials of recruitment, we clearly require the applicants to be over 16 years old, and check the identity information of applicants strictly to prevent mistakenly employing child labor. In case of hiring child labor by mistake, we will immediately terminate the relevant employment contracts, arrange the children to return to their original residence and send them to their parents or other legal guardians. The Group prohibits all forms of forced labor, such as forcing employees to perform certain duties or force them to work. The Group regularly reviews the phenomenon of child labor and forced labor to ensure that such incidents do not occur. During the Reporting Period, there was no hiring of child labor by mistake or forced labor in the Group.

The Group has formulated policies in determining the working hours and rest periods for employees based on local laws. The Group implements a working system with a two-day off every week and the working hours of no more than 8.0 hours per day. Meanwhile, the employees can enjoy local statutory holidays and leaves. Employees work overtime on a willing basis. When employees work overtime, they shall fill in the application forms in advance for confirmation and approval by the senior leaders. Overtime pays of overtime pay system personnel will be distributed based on the actual situation. Employees with fixed salaries shall apply for overtime leaves. If the employees fail to arrange overtime leaves or fail to make applications for overtime leaves, the overtime pays will be included in the year-end bonus.



Employee Structure

As at 31 December 2023, the Group had a total of 29,524 employees, increase of 2,914 over the previous year. Among the employees, approximately 3.0% were senior management, of whom approximately 19.0% were female; approximately 17.4% were middle management, of whom approximately 25.0% were female. The breakdown of the employees in different categories is set out as below:

	Category	Number of Employees	Proportion
Gender	Male	17,702	60.0%
	Female	11,822	40.0%
Age group	< 30	15,922	53.9%
	30-39	11,227	38.0%
	40-49	2,061	7.0%
	≥ 50	314	1.1%
Employee type	Full-time employees	28,185	95.5%
	Interns	1,339	4.5%
Position	Senior management (Note 1)	891	3.0%
	Middle management (Note 2)	5,124	17.4%
	Junior employees (Note 3)	23,509	79.6%
Geographical region	Mainland China	26,936	91.2%
	Other regions	2,588	8.8%

Notes

- 1.Senior management includes personnel with management title of associate department manager and above or with professional technical title of senior engineer and above.
- 2.Middle management includes personnel with management title of division manager and assistant of department manager or with professional technical title of engineer.
- 3.Junior employees include all personnel other than senior management and middle management.

The Group regulates the resignation procedures in accordance with relevant laws, regulations and labor contracts, including a certificate of rescission or termination of the labor contract issued by the Human Resources Department for departing employees, and the settlement for their compensation and insurances according to the Remuneration Management Policy (《薪酬管理制度》) and the Welfare Management Policy (《福利管理制度》). The turnover rate of the Group's full-time employees as at the end of the Reporting Period is indicated in the table below:

Category		Turnover rate of employees (Note)
Gender	Male	3.6%
	Female	3.3%
Age group	< 30	4.9%
	30-39	2.6%
	40-49	1.2%
	≥ 50	0.6%
Geographical region	Mainland China	3.3%
	Other regions	5.2%



Notes

The turnover rate of each category of employees is the annual average of the monthly turnover rate of each category of employees. The monthly turnover rate of each category of employees = Number of employees of each category resigned voluntarily or being dismissed, retired or died for each month/Total number of employees of each category for each month*100.0%.

Remuneration and Incentive

We adhere to the development concept of “Win-Win and Common Prosperity”, emphasizing that employee benefits should be combined with enterprise development to form a harmonious labor relationship. The Group has formulated the Remuneration Management Policy (《薪酬管理制度》), the Welfare Management Policy (《福利管理制度》) and the Performance Management Policy (《績效管理制度》) and continuously improved the remuneration system based on performance assessment in order to create a fair and just working environment. Diversified performance assessment methods such as annual debriefing evaluation, performance assessment, objective management assessment and personnel evaluation are implemented for different positions according to position characteristics. Corresponding remuneration and incentive policies are implemented as well based on the assessment results. During the Reporting Period, the coverage of performance assessment was 100%. We adopted a salary adjustment model differentiated by groups and tiers to better enhance the competitiveness of the Group’s remuneration. Thanks to the model, the market salary quantile of middle and lower tier employees increased significantly.

Employee Performance Assessment

Method	Target	Contents	Frequency	Execution
Annual debriefing evaluation, and performance assessment	Senior management	1. Annual work progress 2. Problem analysis 3. Next year’s work targets, ideas, and measures (Annual debriefing evaluation)	Annual	Following the principle of “Hierarchical Debriefing & Evaluation”. A maximum score of 100 points will be awarded based on the debriefing evaluation. Setting performance assessment indicators should focus on the management’s concerns and priorities in daily operations. The performance assessment form adopts a hundred-mark system, with the highest score is 100 points.
Objective management assessment	Middle management	Key work + KPI	Annual	According to individual work plans and assessment objectives, which are approved and evaluated by the leaders.
Standardized assessment	Junior employees	Daily practices	Monthly	Standardization and compliance assessment of their daily work by their direct supervisors.
Personnel evaluation	Employees in service or administrative positions	Code of work behaviors	Annual	Assessment suggestions are proposed by line managers, and final decisions are made by department heads.

The Group has also formulated policies such as 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》) and the Selection and Incentive Measures on Outstanding Talents (《優秀人才評選與激勵辦法》) to enrich the ways in attracting, encouraging, and retaining talents, so as to promote a more stable, healthy, and sustainable development of the talent team. During the Reporting Period, shifting from “Creating a Stage for Talents” to “Customizing a Stage for Talents”, we have established R&D platforms in talent highlands such as Shanghai to attract local outstanding talents. At the same time, the Group allocated dedicated Business Partners (BPs) for daily operations management to address common demands, enhance employee services and experiences, and lead various parties to complete and streamline the processes based on platform characteristics and have common consensus on rules. In doing so, we gradually establish the standardized operation construction of the platform.

Basic Salary

The basic salary offered by the Group meets the minimum salary requirements of local governments and is competitive in the same industry and region. We formulate salary adjustment plans each year based on the Group's operating conditions and the salary level of our peers, including regular salary adjustment and rank change-related salary adjustment, to implement the Group's salary management principle of "Adapting to the Market Environment, Realizing the Value of Talents and Giving Full Play to Motivation".

Year-end Bonus

The Group distributes the year-end bonuses to employees who meet the requirements according to the Remuneration Management Policy (《薪酬管理制度》). The specific distribution amount is determined depending on the employees' year-end performance results, annual attendance status, wage level and other factors.

EVA Sharing Prize

The EVA sharing prize is a sharing mechanism after the Group has excessive profits. Employees can be rewarded after meeting the requirements such as the certain levels of positions, performance results and other requirements.

Prize for Outstanding Talents

In the evaluation year, employees with management positions below the level of director who are employed throughout the year are eligible to participate in the excellent talent evaluation. Employees who have been employed for less than one year but have made significant breakthroughs or innovations in their work, or benefited or contributed to the Company greatly can be exceptionally recommended. The prize is divided into the gold prize, the silver prize, the bronze prize and the progress prize. The selection of outstanding talents is based on the comprehensive consideration on the professional ethics, quality, capability and performance of the candidates in the year. The prizes are distributed in the form of granting the corresponding shares with a fixed amount.

Excellent Junior Management Cadre

Assistant engineers, who have worked continuously in the Group for more than three years and have served in the junior management position for two years or more, and who have a year-round management position of division manager or below or have direct subordinates in the daily practical work in the evaluation year, are eligible to participate in the excellent junior management cadre assessment. The selection of outstanding junior management cadres is based on the comprehensive consideration on the candidates' professional ethics, quality, capability, assessment and performance in the evaluation year, and a democratic assessment by employee representatives and interviews with candidates randomly selected by the Group's Trade Union. The final winners of the award will be announced and recognized within the Group, and the honorary certificates and cash award will be presented. results and other requirements.

Production Pacesetter

Assistant engineers and below employees, who have worked continuously in the Group for more than two years and have no subordinates, are eligible to participate in the production pacesetter evaluation. The evaluation of production pacesetter is based on the comprehensive consideration on the candidates' performance, job skills and innovation ability in the evaluation year. The final winners of the award will be announced and recognized within the Group, and the honorary certificates and cash award will be presented.

Share Award

The eligible participants of the Group's share awards scheme include: 1. employees holding management title of division manager and above, or professional technical title of engineer and above; and 2. employees awarded the annual "Prize for Outstanding Talents".

From the adoption of the restricted share award scheme to 31 December 2023, a total of 7,932 employees were awarded shares (Note).

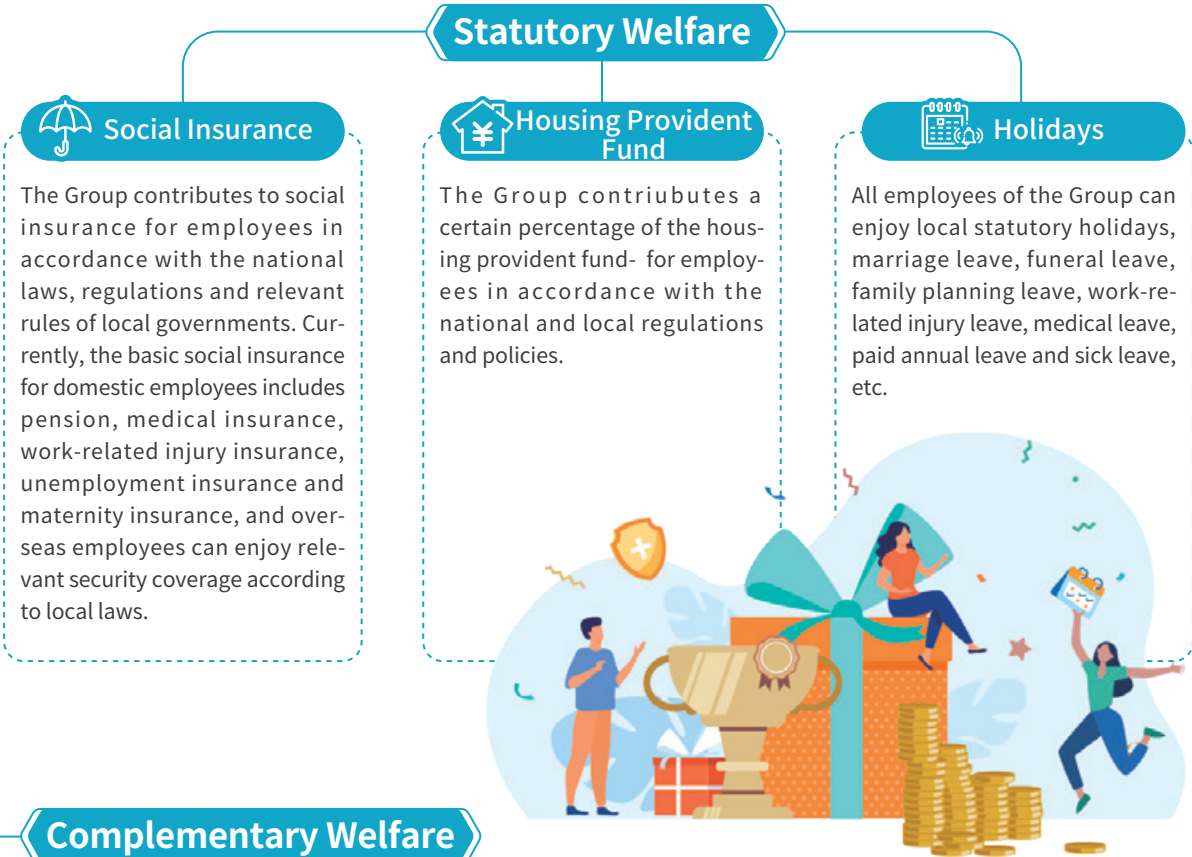


Note

This number includes all personnel who have received share awards.

Safeguarding Employees' Benefits and Welfare

The Group has established a welfare system consisting of statutory welfare and complementary welfare to safeguard employees' benefits and welfare.



Complementary Welfare

Emergency Relief Fund

The Trade Union of the Group has established the Employee Emergency Relief Foundation ("Foundation") to provide relief fund to employees suffering from serious diseases or emergency personal injuries with a maximum amount of RMB45,000.0. During the Reporting Period, the Foundation provided relief fund to 257 employees, with the total relief amount of RMB1,455,958.0.

Supplementary Insurance

The Group provides commercial insurance such as personal accident insurance for foreign employees, employees working overseas or retained employees after retirement according to the years of employment and relevant insurance regulations, and applies "Medical Insurance of Special and Serious Diseases for Employees in Ningbo City" (寧波市職工特種重病醫療保險) for in-service employees on a voluntary basis according to the requirements of the Ningbo Federation of Trade Unions. As at 31 December 2023, the Group has arranged the "Medical Insurance of Special and Serious Diseases for Employees in Ningbo City" for 4,000 employees, with a total amount of RMB80,000.0.



Interest-free Housing Loan

The Group has formulated the Management Measures for Employee Housing Loan (《員工購房借款管理辦法》) to offer “**interest-free housing loan**” for outstanding employees who have met the qualifications for loans so as to reduce the pressure of employees buying their first apartments, help them solve practical problems and enhance their happiness. During the previous Reporting Period, the Group updated the Management Measures for Employee Housing Loan (《員工購房借款管理辦法》) to extend the coverage of the loan from engineers and division managers and above to assistant engineers and line managers and above, and adjusted the loan amount for a single person from RMB100,000-RMB200,000 to RMB200,000-RMB400,000. During the Reporting Period, a total number of 113 employees were successfully approved for loan qualification with a total amount of RMB35,535,000.0 as housing loans.



Catering and Accommodation

The Group provides free working meals or working meal allowance for employees, including free snacks for night shift employees. Meanwhile, considering the distance between the employee’s residence and the companies’ locations and traffic conditions, the Group provides dormitories or housing allowance to employees accordingly. During the Reporting Period, we equipped our dormitories with supporting facilities such as basketball courts, badminton courts, gymnastic rooms and video areas for our employees. At the same time, we also renovated the canteen at the Yangming Industrial Base, upgrading the menu, dining environment and services.



Health Check-ups

The Group provides free health check-ups for its employees on a regular basis in accordance with the relevant national and/or local regulations, including organizing pre-employment, on-the-job, off-the-job and emergency occupational health check-ups for personnel who are exposed to occupational-disease-inductive hazards. During the Reporting Period, we invited attending physicians from major hospitals in Yuyao, to interpret medical examination reports and provide on-site consultations for our employees. This activity was well received by employees.



Employee Care

The Trade Union of the Group distributes holiday gifts to employees on Chinese traditional holidays such as the Spring Festival, the Dragon Boat Festival and the Mid-Autumn Festival, provides life welfare products for employees in summer and offers birthday gifts to employees on their birthdays. The Group would pay wedding bonuses to employees with three years of service or more and retirement bonuses to employees with ten years of continuous service or more who have retired normally from the Group.



Employee Activity Funds

The Group sets up special activity funds for team building activities such as cultural entertainment and sports activities for all employees to enrich their spare-time cultural life and enhance communication between employees at different positions and levels.



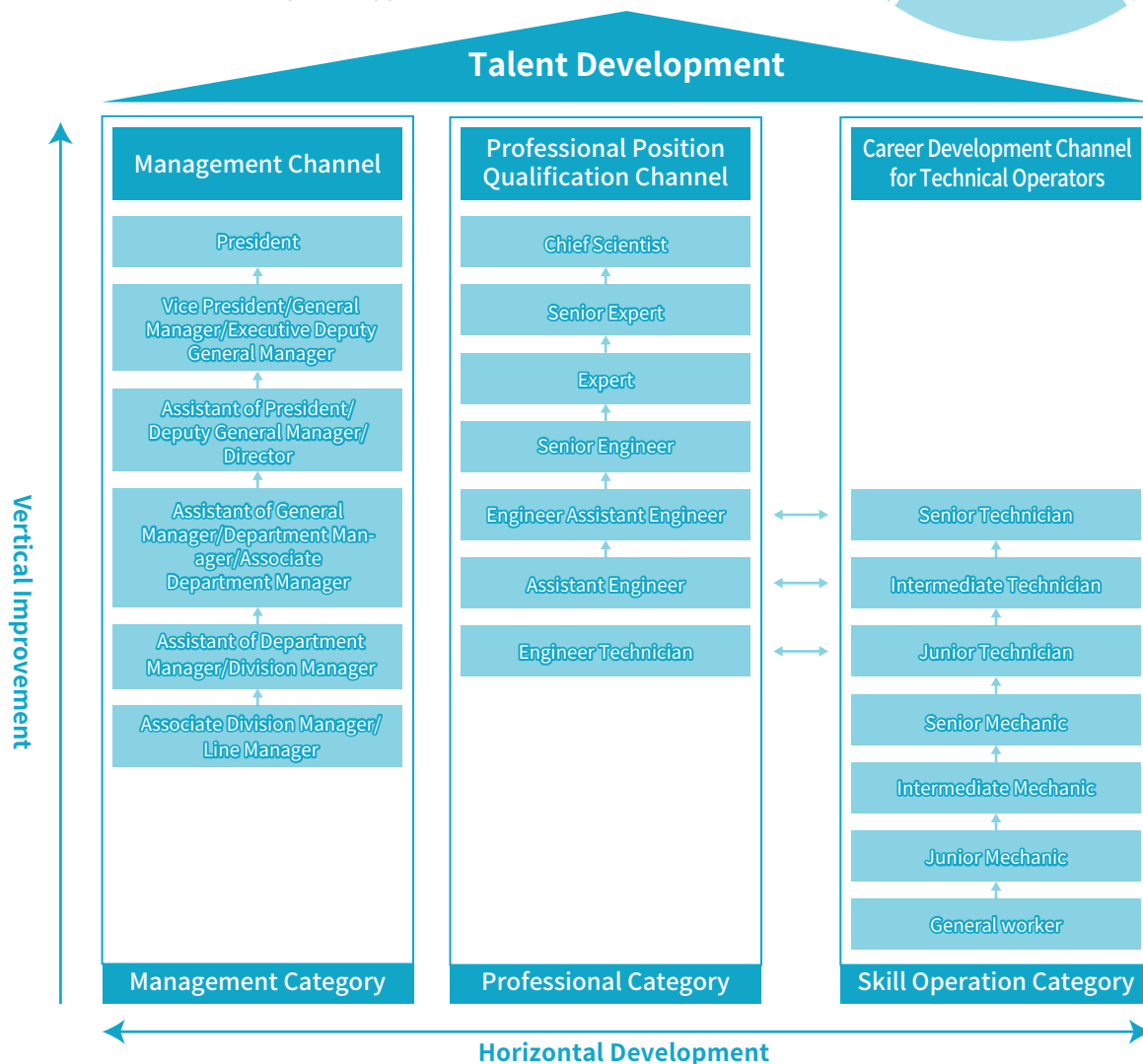
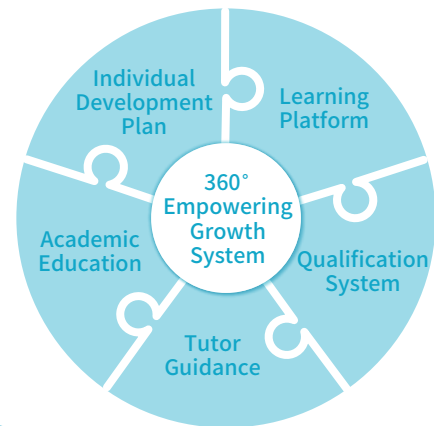
Other Allowances and Subsidies

The Group provides eligible employees with high-temperature allowance, communication allowance, special position nutrition allowance as well as benefits and subsidies for employees designated to other places and overseas. We have also formulated the Administrative Measures for Preferential Business Partners (《特惠合作商家管理辦法》). During the Reporting Period, through the cooperation with 76 high-quality business partners, we obtained more than RMB6,500,000.0 of preferential benefits for employees, benefiting about 71,000 person-time.

Development and Training of Employees

We regard employees as the Company's greatest asset, always caring about their growth, respecting their value as individuals, and unlocking their potential. We provide broad space for development and strive to empower our employees.

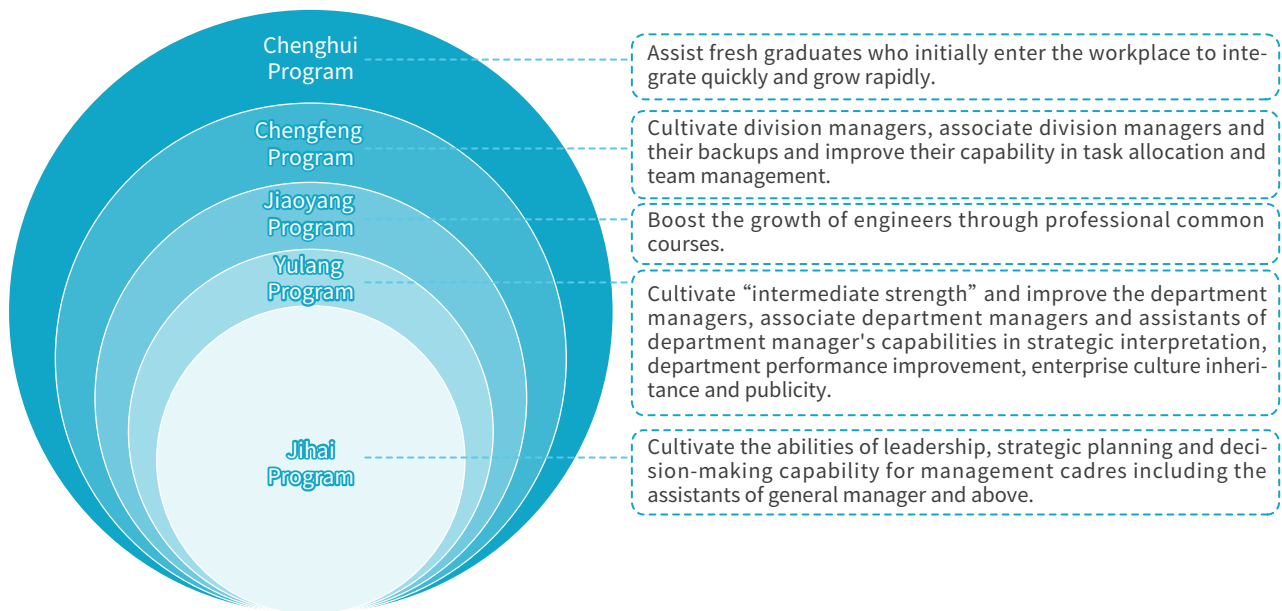
Based on the Group's human resource development strategy, we have set up three career development channels according to the characteristics of different positions to establish the talent echelons. We have formulated and released the Administrative Measures on the Organizations of Professional Position Qualification (《專業崗位任職資格組織機構管理辦法》), the Rules of Cadre Management (《幹部管理辦法》), the Management Measures for the Accreditation of Professional Positions Qualification and Appointment (《專業崗位任職資格認證與聘任管理辦法》) and other policies to specify the procedures for the selection, appraisal, appointment and promotion through different career development channels. Employees can switch between different career channels according to their own development needs and the Group's development plan, so as to achieve their personal career development goals and seek for more suitable career development opportunities.



Management and professional channels can be interconverted based on the principle of taking into account the needs of the organization and personal wishes.

The unique talent development system of the Group ensures the provision of talent team matching the sound business development of the Group, to enhance their knowledge and skills for discharging duties at work. Based on the development needs of different levels, we have 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 them to keep learning. We have formulated a series of documents such as the Management Policy on Training (《培訓管理制度》), the Whitepaper on Employee Learning and Development (《員工學習發展白皮書》) and the Skilled Worker Education and Training Management Standards (《技能工教育培訓管理標準》) to provide employees with various methods for improvement. Among them, eligible employees can apply for the academic education classes offered by the Group in a centralized manner or participate in external academic education training. After graduation with a certificate and a valid invoice and signing the corresponding training agreement with the Company or its subsidiaries, the trainees can reimburse 70% of the tuition fees to the Company or the subsidiaries, and bear the other 30%.

Development and Training System



The Group further promotes the establishment of a development and training system, to realize the formalized and scientific management of internal lecturers and promote the accumulation, sharing and dissemination of internal knowledge, to form a good culture of knowledge transmission. We have formulated the Internal Lecturer Management Measures (《內部講師管理辦法》) and the Tutor Management Measures (《導師管理辦法》). We provide the lecturers with extra pays beyond their own salaries to motivate the experienced managers and experts to become internal lecturers. As at the end of the Reporting Period, the Group had a total of 1,490 internal lecturers.



Chenghui Program



Chengfeng Program



Yulang Program

Optimizing the Learning Platform

The Group provides employees with comprehensive courses needed for talent development. As at the end of the Reporting Period, the online learning platform has uploaded a total of 3,758 knowledge point materials, with three new major categories: safety management, legal affairs, and multimedia. The online learning platform covers a total of 29,000 accounts, allowing employees to learn and improve in a more efficient and flexible manner. The accumulative learning hours of the year was 1,656,862 hours, with both the active rate and learning rate reaching 95%, showing an increase of 8% and 7%. At the same time, the online learning platform has realized the online operation and traceability of each company's annual training plan. It has also been linked with other talent management systems such as the process of turning a fresh graduate to a formal employee and Business Intelligence (BI) digital dashboards, promoting the overall digitalization.

Special Series of Mental Health Courses

In addition to upskilling courses, we also offer a series of courses focusing on employees' physical and mental health. These courses are designed to help employees relieve work-related stress, and enhance their sense of happiness and fulfillment at work.

We offered two Baduanjin courses respectively in May and August 2023. The eight stages of movement of Baduanjin helped the yees stretch muscles & bones as well as dredge meridians and collaterals, thus boosted their body immunity.



We also offered two Himalaya bowl stress relief therapy courses respectively in May and August 2023. The courses helped the trainees learn about the Himalaya bowl and its functions, and the relationship between the human meridians and collaterals, mood and stress. In the courses, the trainees used yoga wheels and resistance bands to dredge their meridians and collaterals. At the end, immersed in the sound of the Himalaya bowl, the trainees acquired overall relaxation and a tranquil mind.



In April 2023, we conducted a psychology lecture named Wang Yangming's Philosophy of the Mind • Ways to A Peaceful Mind for Modern People (《陽明心學•現代人的安心之道》). In the lecture, trainees learned about the life experience of Wang Yangming and his philosophy on "flowering trees in rocks", "the unity of knowing and doing", "extending conscience", etc.



In October 2023, we provided a course on chair yoga - stress relief and sleep improvement therapy to help employees relax, sleep better and physical therapy. The courses, with a total of over 200 participants, obtained a satisfaction rate of 100%.



As at the end of the Reporting Period, the training participation rate of the Group’s employees reached 100.0%, with an annual average of 52.7 hours per person.

Category		Annual average training hours per person (hours/person)	Percentage of employees trained (Note)
Gender	Male	60.4	60.0%
	Female	40.8	40.0%
Position	Senior management	32.9	3.0%
	Middle management	48.2	17.4%
	Junior employees	54.7	79.6%



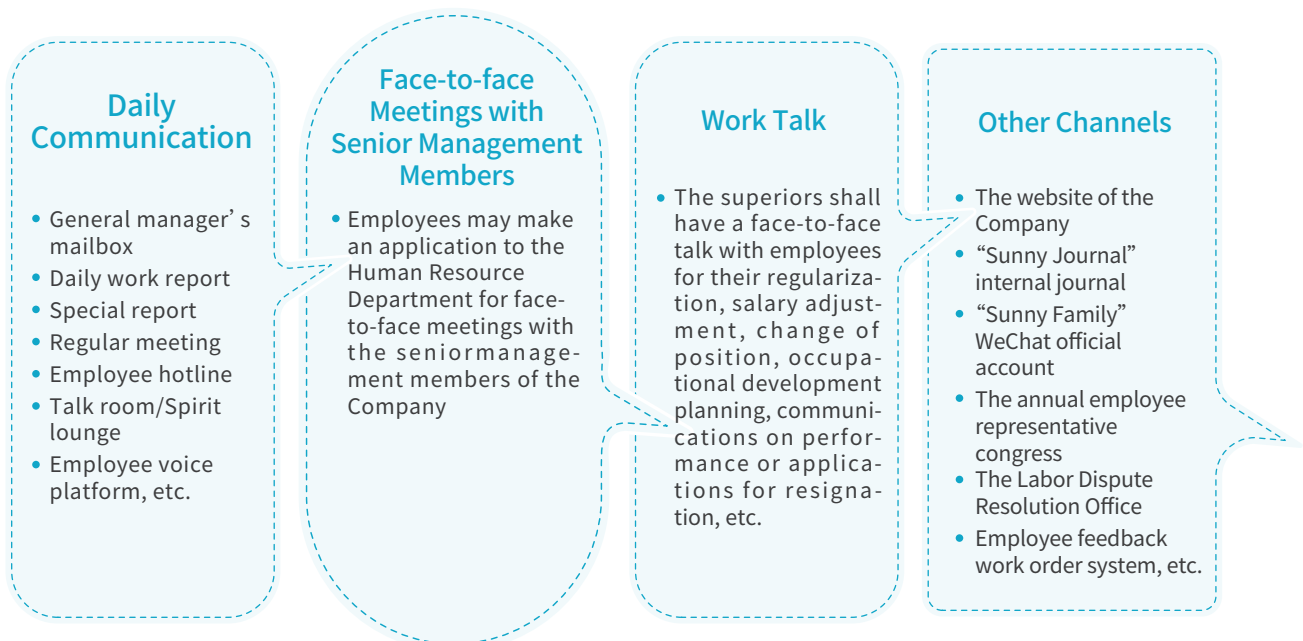
Note

Percentage of trained employees = Number of trained employees in each category during the reporting period/Total number of trained employees * 100.0%.

Employee Care

Listening to the opinions and voices of employees, understanding their needs and helping them resolve their difficulties are important parts of the Group’s daily work. We provide employees with diversified communication channels and create an open and transparent communication environment.

Employee Communication Methods



On 11 September 2023, the voice of employee platform was officially launched online, providing employees a channel for communication, sharing and exchanges. As of the end of the Reporting Period, we received 89 “voices” covering issues such as business process improvement, office environment, office resources, personnel attendance, canteen, parking, corporate culture and the Trade Union. All the issues were solved upon detailed communication.



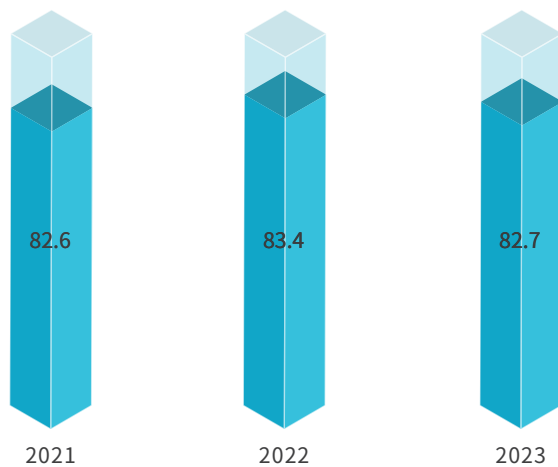
▲
Photo of senior management - employee meeting

To meet the needs of employees for democratic management and democratic communication, the Group strictly abides by the Trade Union Law of the PRC (《中華人民共和國工會法》) and has established the Trade Union, signs collective agreements with employees and the signing rate is nearly 100%. The Group promotes a sense of belonging, responsibility, identity, well-being and proud by creating “a home for growth, a home for vitality, a home for civilization and a home for happiness”. As at the end of the Reporting Period, the Group’s employee participation rate of the Trade Union was nearly 100.0%. We encourage employees to actively participate in the relevant decision-making of the Group, motivate all employees to pay attention to the hotspot, thorny and focal issues during the development process of the Group, and pool their wisdoms and efforts to jointly push forward the Group’s development.

In addition, 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》) and the Administration on Handling Abnormal Incidents of Employees (《員工異常事件處理管理規定》), and cooperated with relevant government departments to set up the resident Labor Dispute Resolution Office of the Yuyao Human Resources and Social Security Bureau in Sunny Group to handle emergencies including strike or production efficiency decrease resulting from employees’ dissatisfaction with working conditions, sudden incidents occurring to employees and labor dispute incidents. We handle labor disputes in accordance with the principles of legality, fairness, timeliness and focusing on mediation to protect the legitimate rights and interests of both employees and the Group and facilitate the harmony and stability of labor relations.

To practically understand and fulfill various demands of employees, the Group invites professional third-party agencies to conduct employee satisfaction surveys every year to consistently improve the human resource management of the Group. In 2023, we launched the online sunnyHR consultation platform to answer employees’ questions on human resources, IT, administration and logistics. The platform enables employees to initiate a consultation at any time, anywhere through their phones or computers. By means of robot/human customer service, 24/7 consultation is realized

Employee Satisfaction Score (100-mark system)



with answers provided in real time. We have provided a basketball court, badminton court, fitness room, film and television area and other supporting facilities at the employee dormitory area of Yuyao Chengxi industrial base. And we have rebuilt the canteen of Yuyao Yangming industrial base and improved the quality of dishes, dining environment and services, which greatly improves the quality of life of employees. However, due to the younger age group of new recruits and the increasing concern and emphasis on staff's perception of the overall vibrant atmosphere within the department and their career development opportunities, the overall staff satisfaction level has slightly dropped. In the future, the Group will continue to pay attention to the low-satisfaction factor, improve the cultivation mechanism, help employees grow, break down the invisible wall, enhance the sense of achievement at work, and strengthen the dissemination and sharing of information, so as to enhance the sense of participation and happiness of employees.

The Group has established twelve categories and 46 interest group alliances (“Alliance”) and has formulated the Management Measures for the Interest Group Alliance (《興趣小組聯盟管理辦法》) to further standardize the management of employees’ leisure activity groups, enrich their leisure cultural life and promote the construction of corporate culture. During the Reporting Period, the Group carried out a series of activities with unique Company characteristics such as the “confidence, unity, striving and innovation” debate contest, employee fitness games, outdoor yoga, voice of Sunny, etc.



Employee Activities

In addition, the Group also organized a series of employee care activities, including:

Assisting Children of Migrant Workers in Enrolling in Schools

In early March of 2023, the Trade Union started to conduct a survey on the enrollment needs of children of migrant workers, to ensure the smooth enrollment of the children, showing the Group's concern for the children. The Trade Union released the notice of pre-enrollment for employees' children through online platforms such as the "Sunny Family" WeChat official account and Tik Tok at first, and organized online and offline simultaneous publicizing and guidance (e.g. "Kick-off Meeting for Pre-enrollment of Migrant Workers' Children", "Interpretation on Enrollment Policies for Children of Employees Hired under Talent Attraction Schemes") through the branches of the Trade Union, to help the employees keep abreast of enrollment information. Nearly 260 employees participated in the publicizing. In addition, the Trade Union set up on-site service points to facilitate the enrollment of the children of migrant workers at Yuyao Chengxi industrial base, Yuyao Yangming industrial base and Yuyao Lanjiang industrial base respectively, to let employees complete the registration smoothly. In the end, the schooling problem of 146 employees' children were satisfactorily solved.



Free Clinical Treatment

The Group cooperated with Yuyao Quality Control Center for Health and Physical Examinations and Yuyao Quality Control Center for Outpatient Management to carry out “free clinical treatment” activities at Yuyao Chengxi industrial base and Yuyao Yangming industrial base. The free clinical treatment activities covered departments of the thoracic surgery, gastroenterology, obstetrics and gynecology, vasculocardiology, endocrinology, thyroid and breast surgery, traditional Chinese medicine, general medicine and other departments. By providing more than 100 employees with one-to-one services, doctors understood the health of these employees in detail, and gave authoritative diagnosis and treatment opinions as well as health care suggestions.



Looking for Mr/Mrs Right



On the arrival of the Chinese Valentine's Day, the Trade Union and matchmakers of the Group carried out a series of activities to help single employees look for their Mr/Mrs Right. The Group organized activities for 59 single employees to participate. With such a platform, these employees got to know each other or even found their Mr/Mrs Right in the Company. We also set up an online love wall on the “Sunny Family” WeChat official account, which had served 37 single employees as a communication platform, received more than 40 inquiries, and made 16 pairs.

Caring for Female Employees

The Group protects the rights of female employees through formulating various policies, and respects their contributions in the workplace. We have set up a comfortable maternity room for female employees, and organized various activities such as the special lecture of “healthy women are the most beautiful”, “screening cervical cancer and breast cancer”, sending flowers on “Women’s Day”, “creative and charming ladies”, Do It Yourself (DIY) cake contest, “nail beauty”, flower arrangement on Mother’s Day and caring for novice mothers. These activities aim to motivate the enthusiasm of female employees for work and life, and to enhance their sense of security, belongingness and happiness. During the Reporting Period, in order to care for the health of women during the special periods, the Group added menstrual leave, and female employees who are unwell due to menstruation can apply for rest according to the sick leave with a certificate issued by the hospital.



▲
Activities for Female Employees

The Trade Union of the Group strictly fulfills the basic responsibility of “safeguarding the legitimate rights and interests of employees and wholeheartedly serving the employees”. By focusing on and serving the overall development target, the Trade Union is striving for a common prosperity for all employees. In addition, the Trade Union also strengthens transparency in factory affairs, builds development channels, improves inclusive projects, promotes the construction of “a home for democracy”, “a home for growth” and “a home for happiness” to continuously improve the sense of safety, belongingness and happiness of employees. Through the above measures, employees will develop a sense of belonging with enhanced trust on and loyalty to the Company, have a share of the Company’s development achievements, and form a powerful force to drive the high-quality development of the Company. During the Reporting Period, the Group was selected as the “pilot enterprise to improve the quality of life of employees” by All-China Federation of Trade Unions.

Occupational Health and Safety

“Be vigilant in peace time, and keep a sense of tribulation” .The Group attaches great importance to the health and safety of employees and prioritizes life safety and occupational health of employees. The Group protects its employees against occupational hazards by providing them with a safe working environment and taking various measures. We strictly abide by the Fire Protection Law of the PRC (《中華人民共和國消防法》), the Work Safety Law of the PRC (《中華人民共和國安全生產法》), the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and other relevant laws and regulations. In addition, four subsidiaries of the Group namely Sunny Zhejiang Optics, Sunny Opotech, Sunny Automotive Optech and Sunny Optical Intelligence (Yuyao) have passed the certification of ISO 45001 on Occupational Health and Safety Management System.

Occupational Health and Safety Policy

Focusing on prevention, integrity and law-abiding

Eliminate major casualties, control the incidence rate of work-related injuries, eliminate fire, explosion and electric shock accidents.

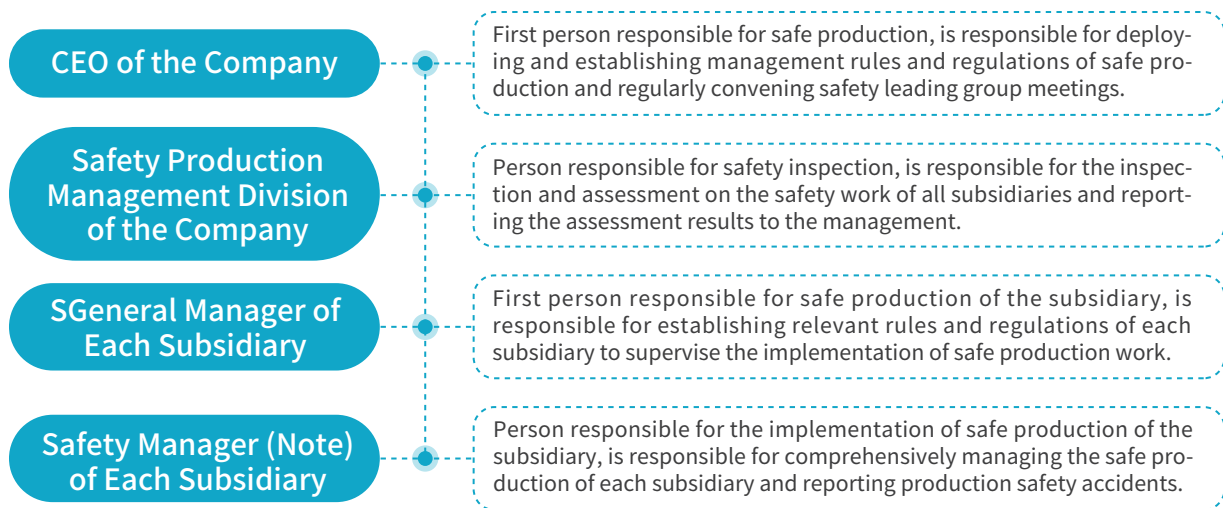
People-oriented and continuous improvement

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.

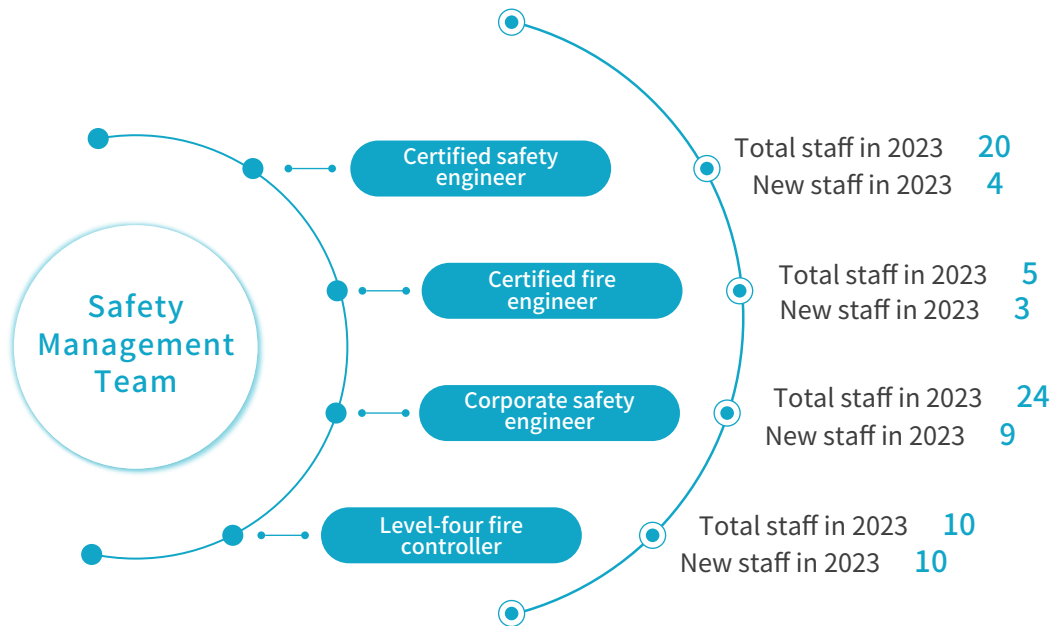
Safety Management Structure



Note

Safety supervisor: The person authorized by the general manager of each subsidiary to manage safety work.

The Group has established a professional safety management team to protect the life safety and occupational health of employees, and to ensure safe and stable operation. In addition, the Group regularly organizes safety training to enhance the professional knowledge and safety skills of safety management personnel.




To give full play to the important role of safety management personnel and strengthen the construction of the safety management team, the Group organizes empowerment training for safety management personnel. Employees having outstanding performances from each subsidiary are selected to share their knowledge and experience on management. During the Reporting Period, we organized 12 training sessions covering all security managers.



Safe Production Management

Safe production targets and achievement during the Reporting Period

Target	Completion Status
Zero fatality	
Zero occupational disease	
Zero major safe production accident	

The Group continues to improve the standardized management system on production safety and to build a safe factory in an all-round way.

Implementing the responsibility for safe production

We have formulated specific targets on safe production, signed the Targets and Responsibilities on Safe Production (《安全生產目標責任書》) and issued the Appraisal Measures on Safe Production Accountability (《安全生產責任制考核辦法》) to clarify the standards of responsibility and assessment. The evaluation results are directly linked to the annual performance assessment of each subsidiary and employee with additional rewards for the annual safety award. In case of a safety accident, the Group will give corresponding administrative and financial penalties such as criticism, warning, demerit recording and termination of labor contracts according to the severity of the accident and the responsibilities of relevant personnel. The most serious penalty is criminal responsibility after transferring to judicial authorities.

Establishing a dual-prevention mechanism

We combined hierarchical control on safety risks with investigation and management of hidden hazards. Every year, the Group organizes investigations on safety risks and screens out major potential safety hazards for key follow-up management. At the same time, the Group increases efforts to investigate hidden hazards, integrates mid-year and year-end large-scale safety inspections by the assessment team, comprehensive mutual monthly inspections, inspections before holidays and various special inspections. As of the end of the Reporting Period, we identified 1,294 hidden hazards through inspections and formulated targeted rectification plans. All hidden hazards had been rectified.

Strengthening safety emergency response

We have updated our policies on emergency management, and added or revised special emergency plans. For workshop safety, we implemented a strategy of “three types of safety staff” : every workshop is provided with evacuation guidance personnel, fire extinguishing personnel and first aid personnel in a certain proportion, and regularly provided these personnel with training. In addition, to improve the Company’s emergency response ability, we have also provided evacuation guide rods, alarms, reflective rescue vests, first-aid kits, etc. and ensured that the emergency response team is ready to respond 24 hours a day. Sunny Optech has established a “0.5+1+3 emergency management mechanism” , which means that the failure rate of the automatic fire detection and alarm system is not higher than 0.5%, and the fire extinguishing personnel will arrive at the scene within 1 minute after fire alarm sounding and finish handling the fire hazard within 3 minutes. During the Reporting Period, we carried out 148 emergency drills, covering 81,000 people-time and multiple scenarios. These drills were related to the response to chemical leakage, fire evacuation, elevator failure, abnormal waste water discharge, etc.

5S + Safety

We have carried out the special construction of 5S + safe workshops, and formulated the Instruction Manual on Visualized Standards of Safety Hazards (《安全隱患標準目視化指導手冊》). The Manual sets forth requirements on the reasonable layout on firefighting points in workshops, intrinsically safe equipment, basic quality of employees, clean and nice appearance of the site, etc., aiming to promote the standardized construction of each production workshop, create a favorable safe production environment, and enhance the safety awareness of employees. Through these efforts, we have provided employees with a safer and tidier working environment.

Bearing safety culture in mind

We continually carry out featured safety culture construction and started a monthly EHS journal. The relevant measures include organizing activities such as “everyone is a safety officer” for hidden danger inspections, safety knowledge quizzes for employees, and employees’ article contributions on safety perceptions. We uphold the concept of no bystanders on safety issues. We listen to the opinions of front-line employees when formulating or revising safety policies, and also invite them to identify hazard sources, there are no bystanders to safety.

To optimize the management process, Sunny Zhejiang Optics updated 12 policy documents and added 3 policy documents in the Reporting Period. The purpose is to further standardize safe production management, strengthen basic work at the junior level and normalize safety management. We also take the safety standardization as an opportunity to carry out comprehensive on-site regulation. After self-evaluation and the guidance and inspection by experts, Sunny Zhejiang Optics investigated and rectified 127 hidden dangers in total. In addition, we passed Zhejiang Provincial level-II safety standardization review in the Reporting Period.

“Working with Certificates” for Supervisor of Hazardous Operations

During the Reporting Period, Sunny Opotech initiated the “Working with Certificates” for supervisors of hazardous operations. This mode operates in a “Centralized Organization, Scattered Evidence Collection” manner. We conducted 6 training sessions on evidence collection for supervisors of hazardous operations through the online platform, involving 340 participants with the pass rate of 76%. The main purpose of this event is to strengthen the Company’s safety management of hazardous operations, enhance supervisors’ safety awareness, improve their professional capabilities in supervising hazardous operations, and clarify their management responsibilities.

The Group also launches diversified safety training to standardize of safe production processes and in turn prevent and reduce the occurrence of safety incidents.

Production Safety Month

June 2023 was the 22nd national production safety month themed “everyone understands work safety and knows about emergency response”. Focusing on the theme, the Group office designed a series of activities with the participation, improvement and practice covering all employees. These activities included the publicity on safety commitments made by the main principal, “learning koi” safety knowledge learning activity, escape room simulation experience activity covering all employees, on-site safety knowledge contest, shooting micro films on safety, special potential safety training covering all employees, safety hazards investigation and management.

We also launched an online prize quiz on safety knowledge and received a total of 50,120 answer sheets with an average score of 85.0. In the “learning koi” safety knowledge learning activity, we designed programs such as safety training, safety films and safety commitments. A total of 29,495 employees completed all the programs and obtained the certificate of completion. Through these activities in the production safety month, we further clarified the safety-related red line and bottom line across the entire area. By strengthening the “responsibility chain”, densifying the “safety net” and securing the “safety wall”, we promoted the implementation of production safety responsibilities and enhanced the awareness of safety risk prevention of all employees.



First aid training



Fire drill at overseas premise



Safety empowerment at overseas premise

Fire Safety Management

Fire is one of the biggest potential safety hazards in the operation process of the Group. In terms of fire safety, the Group takes multiple measures to safeguard fire safety:



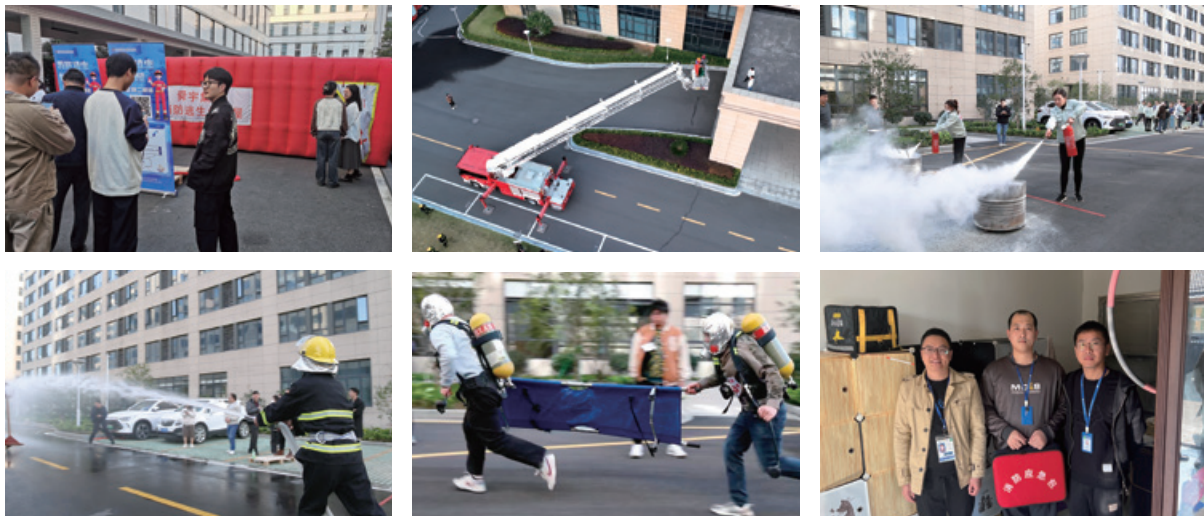
- Employees should receive a three-level safety training and practise. Fire evacuation drills and fire extinguisher operation exercises should be conducted annually;
- Monthly safety inspections on the production areas and spot inspections on employees' safety knowledge should be carried out;
- Fire extinguishers are checked monthly to ensure that the equipment should be used normally;
- A mini fire station should be set up and designated personnel should be on 24-hour duty.

In addition, the Group conducts fire prevention month activities regularly to popularize fire prevention knowledge and improve fire prevention skills of all employees to reduce the risk of fire.

● Fire Prevention Month ●

Every November is the month for publicizing fire prevention nationwide. This November also coincided the Company's 11th 119 fire safety publicity month. To extensively popularize fire safety knowledge and improve fire safety awareness of employees, the Group and its subsidiaries organized and carried out fire prevention publicity activities in various forms and rich contents in an all-round and multi-dimension manner by centering on the theme of "prevention first, life first", aiming to guide cadres and employees to pay attention to fire prevention, learn about knowledge on fire prevention and participate in fire prevention publicity and education. These activities have helped create a strong atmosphere of "everyone pays attention to fire prevention, learns about knowledge on fire prevention and participates in fire prevention" as well as lead the moral trend of "everyone is responsible for the safety of Sunny".

To effectively enhance the Group's fire safety management level, we have organized a variety of fire prevention activities. These include street interviews on "how much do you know about fire safety", warning education on major external fire accidents, 119 fire prevention film watching, fire evacuation drill for all employees, fire prevention skills competition, fire safety management exchanges, mutual inspection and experience exchange on potential safety hazards of overseas companies and equipping rental housing with fire extinguishers.



▲ Highlights of activities in the fire prevention month

Chemical Safety Management

The Group strictly manages and controls substances with hazardous characteristics or listed in the Catalogue of Hazardous Chemicals (《危險化學品目錄》) of China. Four subsidiaries have formulated relevant regulations on hazardous chemicals management, which will be updated according to the actual business operation and the requirements of relevant laws and regulations. We have clarified the specific responsibilities of each department in each process in order to standardize the procurement, transportation, storage, use, and disposal of chemicals and prevented adverse effects of chemicals on personnel and environment. In addition, we formulated the Emergency Plan on Chemical Leakage (《化學品洩漏應急預案》) to enable employees to take the most effective methods to rescue trapped persons and goods, minimize economic losses, and ensure personnel safety in case of oil and hazardous chemicals leakage. During the Reporting Period, Sunny Automotive Optech updated the Chemicals Control Management Regulations (《化學品控制管理規定》) and added storage management requirements for purchased chemicals. We improved the requirements on storage, stacking and inventory of chemicals based on the GB15603 standard, and added the requirements on the explosion-proof forklift, inspection and maintenance of safety facilities and spot inspections on warehouses. In addition, we also added the requirements on regularly organizing risk assessments and qualification requirements on warehouse keepers of hazardous chemicals to prevent chemicals from causing harmful effects to people and the environment.



The department applying for procurement shall fill in the Chemical Purchase Application Form according to the needs;



The procurement personnel shall make unified procurement, and confirm the chemicals' information and management requirements, including quality certificate, material safety data sheet (MSDS), hazard and warning signs, production date and other safety information;



When loading, unloading or transporting them, handle them gently to prevent hitting, dragging, dumping, rolling, rubbing, throwing or squeezing;



Check whether the packaging and labeling of chemicals meet the requirements during the acceptance inspection, and register them in the inventory after confirming that they are qualified, failure to do so will result in non-acceptance;



The storage areas or containers of hazardous chemicals shall be posted with labels, and shall meet the requirements on the prevention of fire, explosion, static electricity, lightning and leakage and shall be managed by professional technicians; no one shall enter the warehouses at will without the consent of the storekeeper;



The chemical requisitioner shall issue a material requisition, and the chemicals to be requisitioned shall be used in one day and night at most, and the warehouse keeper shall issue the chemicals based on the material requisition;



Personnel using hazardous chemicals shall receive relevant training and wear protective equipment as required. The containers of chemicals after use must be placed in the designated place, and then classified according to the regulations and handed over to the relevant qualified parties for disposal;



Dangerous chemicals beyond the expiration date or sluggish materials caused by other reasons shall be replaced, sold, scrapped and processed otherwise in not more than 45 days.

Emergency Drill for Hazardous Chemical Leakage

In November 2023, Sunny Zhejiang Optics organized an emergency drill for hazardous chemical leakage, with the participation by chemical warehouse managers, transporters and members of the emergency leadership group. The drill simulated a situation where employees found ethanol leakage but failed to deal with them in time, causing the flammable gas detection system to give an alarm. The emergency leadership group started emergency rescue after receiving an alarm call from the site personnel. Specifically, the emergency leadership group contained and adsorbed the leaked chemicals with liquid-absorbing cotton pads. After the drill, each team leader summarized the work and provided feedback on the problems, to better improve the subsequent emergency rescue.



Occupational Disease Prevention

The Group commits to

Providing a healthy and safe working environment for employees and distributing protection equipment and supplies, such as dust masks and protective gloves, as per requirements;

Conducting annual occupational health examination for employees who work at positions that are exposed to occupational disease hazards according to the requirements of relevant national regulations on the prevention and control of occupational diseases.

Through on-site investigation and identification, the occupational hazard factors involved in the workplace of the Group are mainly noise and chemicals. Therefore, we have mapped out the Management of Occupational Health Monitoring Policy (《職業健康監護管理制度》) that specifies the work of the occupational health management of the Group from diagnosis and management of occupational diseases, reporting of occupational diseases and alarming and notification of hazards of occupational diseases, in order to prevent occupational diseases to the largest extent.

Providing a healthy working environment

The Group reduces employees' exposure to occupational hazard factors through setting up relevant protective devices. During the Reporting Period, Sunny Optical Intelligence (Yuyao) set up a separate soundproof room and placed 6 air extraction systems in this room. With the noise reducing by 11dB, employees are free from noise harm during the laser cutting process. Meanwhile, we entrusted professional agencies to regularly detect and evaluate occupational disease hazard factors in the workplaces of four subsidiaries. During the Reporting Period, both the noise intensity and chemicals concentration exposed to the positions involving occupational hazard factors of the Group met the requirements.

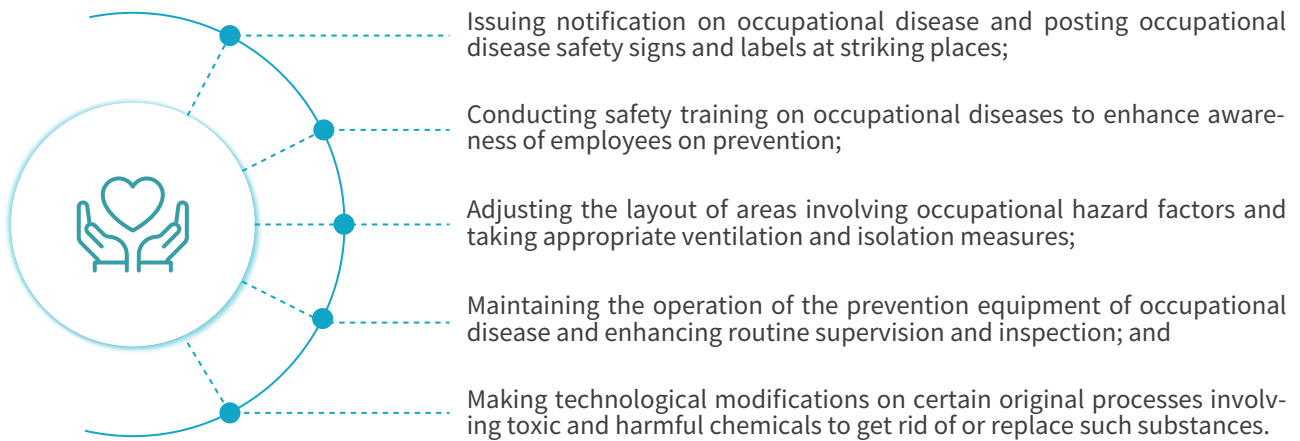
Comprehensive protection for occupational health

The Group strictly implements the measures on preventing occupational diseases in accordance with the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》). By implementing these measures, we aim to prevent, control and eliminate harms from occupational diseases in order to safeguard the health of employees. We conduct health examination for new employees, on-the-job and off-the-job employees involved in the operation of occupational hazard factors and special operators with special health requirements. The Group has established the list of annual health checkup results and employees' occupational disease health records for workers exposed to toxic and hazardous chemicals. During the Reporting Period, we organized a total of 3,838 people to take occupational health check-ups.

Management for personal protection standards

To safeguard the effectiveness of the last line of defense for employee safety, we have formulated the Provisions on Management of Labor Protective Equipment (《勞動防護用品管理規定》), setting forth provisions for labor protection gears on the procurement, distribution, wearing standards, supervision of on-site use, etc.

In the routine work, we have implemented a series of measures to protect employees against by occupational diseases, including but not limited to:



As at the end of the Reporting Period, the Group had a total of approximately 2,194.0 working days lost due to work-related injuries. The numbers of work-related fatality in recent three years are as follows:

	2023	2022	2021
Number of work-related fatality	0	0	0
Rate of work-related fatality (Note)	0	0	0

 **Note**

Rate of work-related fatalities = Number of work-related fatalities/Total number of employees * 100.0%.



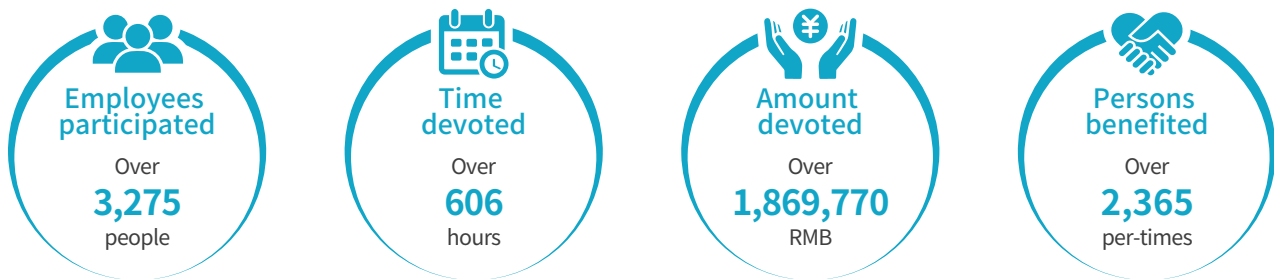
06

Community Welfare

Support for Education	95
Public Welfare and Voluntary Service	96

Adhering to the corporate citizenship spirit of “from society and for society”, the Group has been actively devoted in the community investment in the areas of education, poverty alleviation, environmental protection, social charity and other fields to carry out various public welfare undertakings, and encourages employees to give back to society with practical actions. The Group has established the Federation of Voluntary Services (志願服務聯合會) to promote the high-quality development of the Group’s voluntary service organizations, further institutionalize and regularize voluntary services and to standardize the management of volunteer teams. We have established a star recognition system and a point reward system for volunteers. We recognize volunteers in terms of service hours and convert their points. We commend excellent volunteer teams every year, and the points can be redeemed for corresponding gifts once a year.

During the Reporting Period, the Group’s involvement in public welfare activities is as follows:



During the Reporting Period, details of the Group’s donations are as follows:

Type of donation	Project	Amount devoted (RMB)
Support for education	Shaanxi University of Science & Technology Grant	50,000.0
	Career Planning Competition of Southwest Jiaotong University	30,000.0
	Sichuan University Scholarship	60,000.0
	Harbin University of Science and Technology Scholarship	50,000.0
	Hangzhou Dianzi University Event Sponsorship	100,000.0
	Zhejiang University Photoelectric Design Competition for National College Students	100,000.0
	Career Planning Competition of Zhejiang University of Technology	50,000.0
	China Jiliang University Photoelectric Design Competition	50,000.0
	Career Planning Competition of Wuhan University of Science and Technology	20,000.0
	Tianjin Polytechnic University Scholarship	60,000.0
	Yuyao Charity Federation Donation	120,000.0
Poverty alleviation	Sponsorship Fee of Yuyao Human Resources Association	5,000.0

Support for Education

Adhering to the development philosophy of “support for education is synonymous with support for the enterprise itself”, we pay continuous attention to education development and talent cultivation, and actively undertake responsibilities of the enterprise in the education. We have established long-term talent cooperation with universities at home and abroad such as Zhejiang University, Xi’an Jiaotong University, Changchun University of Science and Technology, University of Rochester and University of Arizona, actively carried out research cooperation and technical exchange activities, jointly constructed employment base and further deepened bilateral cooperation.



Public Welfare and Voluntary Service

While creating value, we devote ourselves to voluntary service activities with full enthusiasm and take this as the main entry point to promote the spirit of volunteerism and corporate culture, build a harmonious enterprise and fulfil our mission.

During the Reporting Period, the Group continued to promote voluntary services and organized volunteer activities such as cleaning up, helping the people in need, visiting elderly homes and charity sale.

In addition, the Group organized the 13th and 14th voluntary blood donation activities, and a total of 430 employees donated around 138,690.0 milliliters of blood.



Blood donation activity ▲



Traffic volunteer service during rush hours in morning and evening ▲



“Respect old people as we do our own elder parents” volunteer activity ▲



Visiting elderly people living alone ▲



Caring for left-behind children ▲

The Group is fully aware of the importance of protecting the community environment. During the Reporting Period, we conducted a series of public welfare activities for environmental protection, publicized the concept of environmental protection with practical actions, protected the environment with sincerity and joined all sectors in society to build a green homeland together.



Environmental voluntary service activities



"Keep our environment clean and welcome the Asian Games" voluntary service activity

Appendix I: Independent Practitioner's Limited Assurance Report

To the Board of Directors of Sunny Optical Technology (Group) Company Limited:

We have been engaged by Sunny Optical Technology (Group) Company Limited (the "Sunny Optical Technology") to perform a limited assurance engagement in relation to certain greenhouse gas (the "GHG") emissions intensity data included in its 2023 Environmental, Social and Governance (the "ESG") Report and selected by Sunny Optical Technology.

Subject Matter for Limited Assurance

We performed a limited level of assurance engagement in below specific information included in 2023 ESG Report: Scopes 1 and 2 GHG emissions intensity data, covering the four main subsidiaries of Sunny Optical Technology (i.e. Zhejiang Sunny Optics Co., Ltd., Ningbo Sunny Optech Co., Ltd., Ningbo Sunny Automotive Optech Co., Ltd. and Yuyao Sunny Optical Intelligence Technology Co., Ltd.)

The limited assurance targeted the Scopes 1 and 2 GHG emissions intensity data in the 2023 ESG Report as stated above and did not cover any other indicators or information disclosed in ESG Report in 2023 and previous years.

The Subject Reporting Standards

The Scopes 1 and 2 GHG emissions intensity data in the 2023 ESG Report were prepared in accordance with Environmental, Social and Governance Reporting Guidelines (Appendix C2 of Listing Rules) issued by The Stock Exchange of Hong Kong Limited (the "Reporting Standards").

Responsibilities of those charged with governance and management of Sunny Optical Technology

It is the Sunny Optical Technology management's responsibility to determine appropriate reporting standard and prepare the Scopes 1 and 2 GHG emissions intensity data in the 2023 ESG report in accordance with the Reporting Standards. Its responsibility shall include design, implementation and maintenance of internal control system relevant to the preparation of the Scopes 1 and 2 GHG emissions intensity data, so as to prevent material misstatement due to fraud or error.

Those charged with governance of Sunny Optical Technology is responsible for overseeing Sunny Optical Technology's ESG reporting process.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.

Our firm applies International Standard on Quality Management 1, "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to perform assurance in accordance with the provisions of the International Standards on Assurance Engagements 3410 – "Assurance Engagements on Greenhouse Gas Statements". We prepared and published assurance conclusions with limited assurance on whether the Scopes 1 and 2 GHG emissions intensity data in the 2023 ESG Report have been disclosed in all material respects in accordance with the Reporting Standards.

Assurance Approach

As the nature and timing of the procedures implemented by limited assurance are different from and less extensive than the reasonable assurance, limited assurance obtains a lower degree of assurance than the reasonable assurance. We do not provide reasonable assurance that the Scopes 1 and 2 GHG emissions intensity data in the 2023 ESG Report were disclosed in all material respects in accordance with the Reporting Standards. The assurance included identifying areas where the Scopes 1 and 2 GHG emissions intensity data may be materially misstated in the ESG Report, designing and implementing assurance procedures to address these identified areas, and obtaining evidence accordingly. The assurance procedures we carried out depend on our professional judgment and assessment of the risks of assurance.

Procedures of assurance:

- Interview Sunny Optical Technology's manager and staff responsible for information collection, consolidation and disclosure of Scopes 1 and 2 GHG emissions intensity data to understand the process of reporting;
- Sample testing relevant supporting documents;
- Performing analytical procedures; and
- Recalculations.

Limitations of Assurance

We draw the attention of users to the fact that there is no universally accepted system of evaluation and measurement standards for non-financial information, which may affect the comparability of relevant data between companies.

Conclusions

Based on the above work performed and evidence we have obtained, nothing has come to our attention that would lead us to believe that there is any material misstatement related to Scopes 1 and 2 GHG emissions intensity data in Sunny Optical Technology's 2023 ESG Report prepared in accordance with reference to the Reporting Standards.

Use of Independent Limited Assurance Report

This independent limited assurance report is solely for the purpose of preparing the Sunny Optical Technology's 2023 ESG Report, and is not suitable and cannot be used for any other purposes. We do not assume responsibility or accept liability to any other person or third party other than Sunny Optical Technology's board of directors for this report.

Deloitte Touche Tohmatsu Certified Public Accountants

Hong Kong

20 April 2024

Appendix II: Responsibility KPIs

Aspects	KPIs Description	Unit	2023	2022	2021
E Environmental KPIs	Greenhouse gas (Scope 1)	tCO ₂ e	5,122.0	4,878.5	2,594.3
	Greenhouse gas (Scope 2)	tCO ₂ e	378,427.2	362,501.6	380,183.9
	Total greenhouse gases (Scope 1 and Scope 2)	tCO ₂ e	383,549.2	367,380.1	382,778.2
	Greenhouse gas (Scope 1 and Scope 2) emission intensity	tCO ₂ e / RMB million revenue	14.0	12.0	10.3
	Electricity	MWh	537,920.7	515,283.1	540,417.7
	Green Electricity	MWh	101,536.8	90,202.4	/
	Total indirect energy	MWh	639,457.5	605,485.5	540,417.7
	Diesel oil	MWh	80.4	90.3	148.5
	Gasoline	MWh	536.1	395.5	434.3
	Total direct energy	MWh	616.5	485.8	582.8
	Total energy consumption	MWh	640,074.0	605,971.3	541,000.5
	Energy consumption intensity	MWh/ RMB million revenue	23.3	19.7	14.6
	Water consumption	tonnes	2,639,878.9	2,318,717.1	2,143,303.0
	Wastewater emission	tonnes	2,111,903.1	1,854,973.7	1,714,642.4
	Water intensity	tonnes/ RMB million revenue	96.0	75.5	57.9
	Hazardous waste	tonnes	93.0	86.8	46.6
	Total non-hazardous waste	tonnes	7,197.7	8,706.0	8,492.8
	Recycled waste	tonnes	3,929.6	3,648.4	3,650.7
	Recycling rate of non-hazardous waste	%	54.6	41.9	43
	Non-hazardous waste intensity	Kg / RMB million revenue	261.9	283.6	229.3
	Nitrogen oxides	Kg	605.7	466.2	515.3
	Sulphur dioxide	Kg	1.0	0.8	1.0
	Particulate matter	Kg	57.8	44.4	49.0
	Number of environmental violations	Case	0	0	0
	Existing certified "Green Factories"	Number	4	4	4

Aspects	KPIs Description	Unit	2023	2022	2021
S Social KPIs	Number of employees	Person	29,524	26,610	24,664
	Male employees	Person	17,702	15,933	15,071
	Female employees	Person	11,822	10,677	9,593
	Proportion of female employees	%	40.0	40.0	38.9
	Senior management	Person	891	783	627
	Number of female in senior management	Person	223	141	110
	Proportion of female in senior management	%	25.0	18.0	17.5
	Middle management	Person	5,124	4,670	3,625
	Junior employees	Person	23,509	21,157	20,412
	Turnover rate of male employees	%	3.6	2.7	2.7
	Turnover rate of female employees	%	3.3	2.7	2.5
	Labor contract signing rate	%	100	100	100
	Social insurance coverage rate	%	100	100	100
	Trade union membership rate	%	100	100	100
	Signing rate of collective agreements	%	100	100	100
	Average training hours	Hour(s)	52.7	53.4	49.5
	Employee satisfaction score	%	82.7	83.4	82.6
	Major safe production accident	Number	0	0	0
	Fire incidents	Number	0	0	0
	Occupational disease	Person	0	0	0
	Working days lost due to work-related injuries	Day(s)	2,194.0	1,535.6	1,683.0
	Amount devoted in public welfare activities	RMB	1,869,770	1,188,226	1,230,000
	Employees participated in public welfare activities	Person	3,275	3,712	2,400
	Time devoted in public welfare activities	Hour(s)	606	3,873	2,621
	Persons benefited in public welfare activities	Person	2,365	515,622	33,800
	Total number of class I suppliers	Number	946	916	803
	Accumulative number of local suppliers	Number	221	/	/
	Percentage of suppliers from Mainland China	%	92.8	90.3	93.6

Appendix III: Environmental, Social and Governance Reporting Guide Comparison Table

Aspects and KPIs Description		Title of chapter
A.Environmental		
A1.Emissions		
General Disclosure	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 non-hazardous waste.	Green Operation
KPI A1.1	The types of emissions and respective emissions data.	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	
KPI A1.5	Description of emission target(s) set, and steps taken to achieve them.	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set, and steps taken to achieve them.	
A2.Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operation
KPI 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).	
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency target(s) set, and steps taken to achieve them.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set, and steps taken to achieve them.	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
A3.The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Green Operation
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4.Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Green Operation
KPI 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.	

Aspects and KPIs Description		Title of chapter
B.Social		
Employment and Labor Practices		
B1.Employment		
General Disclosure	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.	Friendly Workplace
KPI B1.1	Total workforce by gender, employment type (for example, full- or parttime), age group and geographical region.	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	
B2.Health and Safety		
General Disclosure	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.	Friendly Workplace
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
B3.Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Friendly Workplace
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
B4.Labor Standards		
General Disclosure	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.	Friendly Workplace
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

Aspects and KPIs Description		Title of chapter
Operating Practices		
B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	
B6. Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a 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.	Product Liability
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures.	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
B7. Anti-corruption		
General Disclosure	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.	Strengthening Management
KPI 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.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	
B8. Community Investment		
General Disclosure	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.	Community Welfare
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

Appendix IV: GRI Index

Statement of use	Sunny Optical Technology (Group) Company Limited has reported the information cited in this GRI content index for the period 2023/1/1 – 2023/12/31 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standards	Disclosure	Location	
GRI 2: General Disclosures 2021			
2-1	Organizational details	About the Group	
2-2	Entities included in the organization’s sustainability reporting	About the Report	
2-3	Reporting period, frequency and contact point	About the Report	
2-5	External assurance	Appendix I: Practitioner’s Limited Assurance Report	
2-6	Activities, value chain and other business relationships	About the Group	
2-7	Employees	Friendly Workplace	
2-9	Governance structure and composition	Strengthening Management	
2-10	Nomination and selection of the highest governance body		
2-11	Chair of the highest governance body		
2-12	Role of the highest governance body in overseeing the management of impacts		
2-13	Delegation of responsibility for managing impacts		
2-14	Role of the highest governance body in sustainability reporting		
2-15	Conflicts of interest		
2-16	Communication of critical concerns		
2-17	Collective knowledge of the highest governance body		
2-22	Statement on sustainable development strategy		
2-23	Policy commitments		
2-28	Membership associations		About the Group
2-29	Approach to stakeholder engagement		Strengthening Management
2-30	Collective bargaining agreements		Friendly Workplace
GRI 3: Material Topics 2021			
3-1	Process to determine material topics	Strengthening Management	
3-2	List of material topics		
3-3	Management of material topics		

Economics

GRI201: Economic Performance 2016

201-2	Financial implications and other risks and opportunities due to climate change	Green Operation
201-3	Defined benefit plan obligations and other retirement plans	Friendly Workplace

GRI204: Procurement Practices 2016

204-1	Proportion of spending on local suppliers	Supply Chain Management
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GRI205: Anti-corruption 2016

205-2	Communication and training about anti-corruption policies and procedures	Strengthening Management
205-3	Confirmed incidents of corruption and actions taken	

GRI207: Tax 2019

207-2	Tax governance, control, and risk management	Strengthening Management
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Environment

GRI301: Materials 2016

301-1	Materials used by weight or volume	Green Operation
301-2	Recycled input materials used	
301-3	Reclaimed products and their packaging materials	

GRI302: Energy 2016

302-1	Energy consumption within the organization	Green Operation
302-3	Energy intensity	
302-4	Reduction of energy consumption	
302-5	Reductions in energy requirements of products and services	

GRI303: Water and Effluents 2018

303-1	Interactions with water as a shared resource	Green Operation
303-2	Management of water discharge-related impacts	
303-3	Water withdrawal	
303-4	Water discharge	
303-5	Water consumption	

GRI305: Emissions 2016

305-1	Direct (Scope 1) GHG emissions	Green Operation
305-2	Energy indirect (Scope 2) GHG emissions	

305-4	GHG emissions intensity	Green Operation
305-5	Reduction of GHG emissions	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
GRI306: Waste 2020		
306-1	Waste generation and significant waste-related impacts	Green Operation
306-2	Management of significant waste-related impacts	
306-3	Waste generated	
306-4	Waste diverted from disposal	
306-5	Waste directed to disposal	
GRI308: Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria	Supply Chain Management

Society

GRI401: Employment 2016		
401-1	New employee hires and employee turnover	Friendly Workplace
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	
GRI403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	Friendly Workplace
403-2	Hazard identification, risk assessment, and incident investigation	
403-3	Occupational health services	
403-4	Worker participation, consultation, and communication on occupational health and safety	
403-5	Worker training on occupational health and safety	
403-6	Promotion of worker health	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
403-8	Workers covered by an occupational health and safety management system	
403-9	Work-related injuries	
403-10	Work-related ill health	
GRI404: Training and Education 2016		
404-1	Average hours of training per year per employee	Friendly Workplace
404-2	Programs for upgrading employee skills and transition assistance programs	
404-3	Percentage of employees receiving regular performance and career development reviews	

GRI405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Strengthening Management, Friendly Workplace
GRI406: Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	Friendly Workplace
GRI408: Child Labor 2016		
408-1	Operations and suppliers at significant risk for incidents of child labor	Friendly Workplace
GRI409: Forced or Compulsory Labor 2016		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Friendly Workplace
GRI413: Local Communities 2016		
413-1	Operations with local community engagement, impact assessments, and development programs	Community Welfare
GRI414: Supplier Social Assessment 2016		
414-1	New suppliers that were screened using social criteria	Supply Chain Management
GRI416: Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	Product Liability
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
GRI417: Marketing and Labelling 2016		
417-1	Requirements for product and service information and labelling	Product Liability
417-2	Incidents of non-compliance concerning product and service information and labelling	
417-3	Incidents of non-compliance concerning marketing communications	
GRI418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Product Liability



Sunny Optical Technology (Group) Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2382.HK)