



# SUSTAINABILITY REPORT 2021



中聖集團

SUNPOWER GROUP LTD.

**BE THE SOLUTION  
NOT THE POLLUTION**

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## ABOUT SUNPOWER

### Organisation Profile

Founded in 1997 and listed on Singapore Stock Exchange in 2005, Sunpower Group Ltd. (SGX stock code: 5GD.SI) is a leading provider of industrial steam with a sizeable portfolio of recurring, long-term, cash generating Green Investments (“GI”) projects that use innovative integrated environmental protection technologies to facilitate the development of the circular economy and help China attain its goals of carbon peak and carbon neutrality.

Following the completion of the disposal of the Manufacturing and Services (“M&S”) business in 2021, the Group’s sole principal business is the GI business which invests in and operates centralised facilities that supply industrial steam, civil heating and electricity. It has the proven ability to generate recurring, high-quality income and cash flows as the projects have strong supplier positions due to either typically 30-year concessions with the first right of renewal or de facto exclusivity through their extensive pipeline networks.

The GI project portfolio comprises 11 plants, of which 10 are currently operational and 1 is under construction. The Group is on track to build a valuable and sizeable portfolio of projects that is expected to generate attractive double-digit Internal Rates of Return (IRR) and a high Net Present Value (NPV) of future cash flows.



## Our Honours and Awards



**CHINA ENERGY GROUP  
TOP 500 LIST**



**THE DELOITTE BEST  
MANAGED COMPANY  
AWARD IN CHINA**



**CHINA WELL-KNOWN  
TRADEMARK**



**NATIONAL KEY  
PROTECTED BRAND**



**MEMBER OF JIANGSU  
ASSOCIATION OF  
ENVIRONMENTAL  
PROTECTION INDUSTRY**



**MODEL ENTERPRISE FOR  
PROMOTION OF LOW-  
CARBON ENVIRONMENTAL  
PROTECTION**



**JIANGSU PROVINCIAL  
WATER-CONSERVING  
ENTERPRISE**



**MEMBER OF HEBEI  
ASSOCIATION OF  
ENVIRONMENTAL  
PROTECTION INDUSTRY**



**MEMBER OF JIANGSU  
ASSOCIATION  
OF ENVIRONMENTAL  
PROTECTION INDUSTRY**



**MEMBER OF ENERGY  
ASSOCIATION OF JIANGSU  
PROVINCE**



**EXCELLENT ENTERPRISE  
IN STEAM SUPPLY  
INDUSTRY IN SUZHOU**



**ZHANGJIAGANG  
ENVIRONMENTAL  
PROTECTION VOLUNTEER  
ASSOCIATION**



**WATER-SAVING ENTERPRISE (QUANJIAO  
PROJECT)**



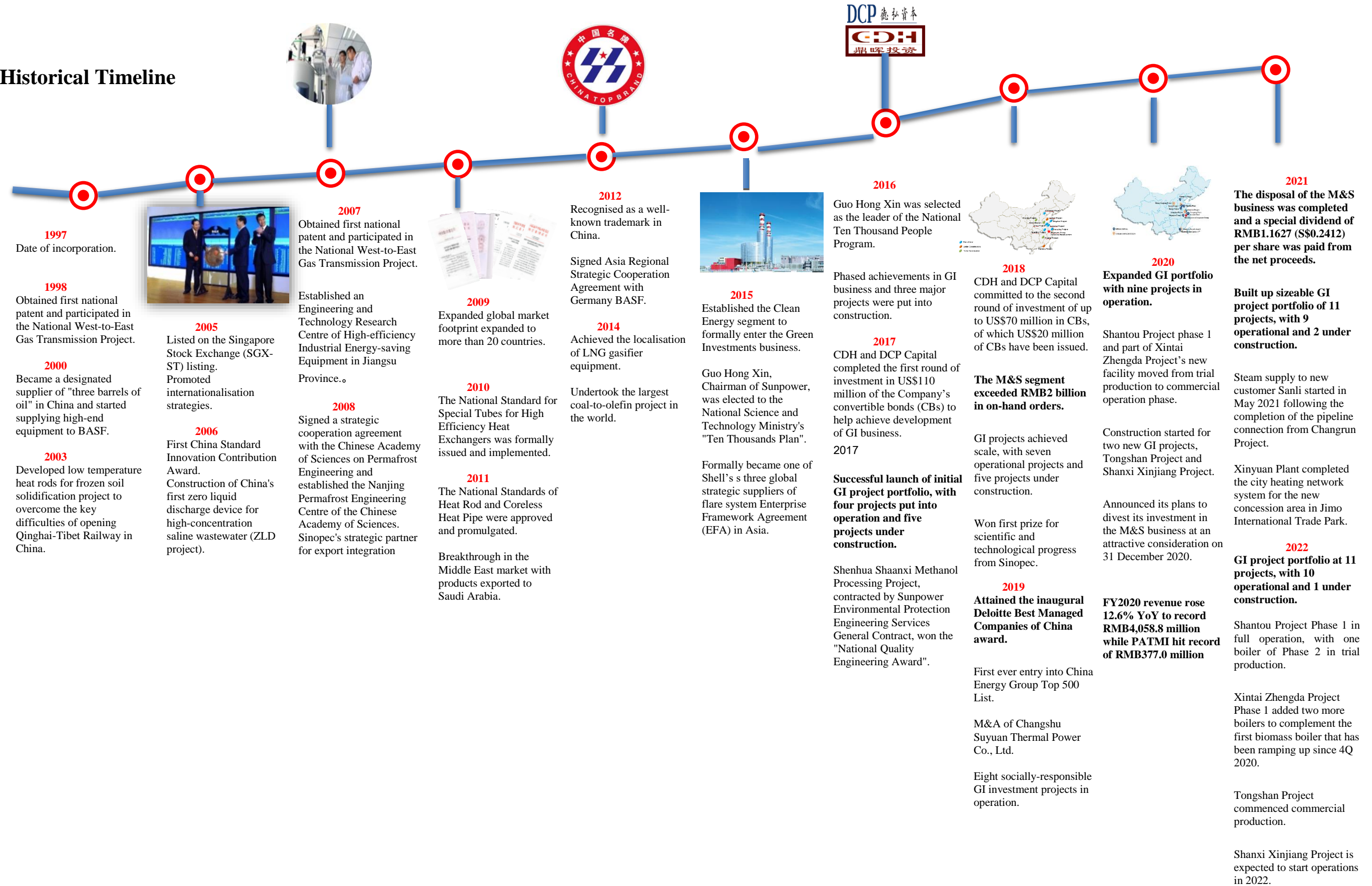
**ADVANCED UNIT OF ECONOMIC AND  
SOCIAL DEVELOPMENT**

## Membership of Associations

To promote sustainable development, Sunpower is an active member of various industry organisations and civil society organisations.

Name of Association	Role or Position
<b>Renewable Energy Power Generation Branch of the China Electric Power Promotion Council</b>	Member
<b>Association for the Environmental Protection Industry in China</b>	Member
<b>Jiangsu Environmental Protection Industry Association</b>	Member
<b>Shandong Province Electrical Enterprise Association</b>	Member
<b>Hebei Environmental Protection Industry Association</b>	Council Member
<b>Zhangjiagang Environmental Protection Association for Volunteers</b>	Vice President
<b>China Energy Conservation Association</b>	Member

# Historical Timeline



## Stakeholders' Message

**Guo Hong Xin**

**Non-Executive Chairman**



Dear Stakeholders,

On behalf of Sunpower Group and our entire global workforce, we are pleased to share our updated Sustainability Report for the financial year ended 31 December 2021 (“FY2021”), the fifth report since we first released our sustainability vision and plan. Sustainability continues to be a key part of the Group’s strategy to create long-term value for all its stakeholders and help to create a greener cleaner future for the next generation at the same time.

Our sustainability focus revolves around facilitating a low-carbon business development path for ourselves, our customers, local communities and local governments. Our business strategy to be a leading provider of clean steam is strongly aligned with China’s 14<sup>th</sup> Five Year Plan to promote the development of circular economy industrial parks and centralised clean steam facilities<sup>1</sup>. Sunpower helps to eliminate “Multiple” pollution sources with just “One” highly-efficient centralised clean steam plant that can achieve emission levels equal to or even lower than the national standard for natural gas emissions. Sunpower’s GI plants have contributed to the closure of several hundred small dirty boilers and the annual reduction of more than 600,000 tons of carbon dioxide (CO<sub>2</sub>) emissions, and more than 65,000 tons of dust, sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) by 2021.

The Group’s adaptable and reliable business model combines the circular economy zero-waste resource utilisation model and leading technologies to form a strong competitive moat. As the pioneer in the development of centralised circular economy infrastructure, such as the Shantou Project which received incentives from the central government for air pollution and control, the Group has a strong supplier role in the provision of steam, a non-discretionary production input, to industrial users. In addition, it is able to increase its geographical reach to achieve economies of scale with its long-distance steam transmission pipeline technology. Through the application of advanced technologies, including environmental protection, energy-saving and blended combustion of sludge technologies, Sunpower

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<sup>1</sup> <https://www.ndrc.gov.cn/xwdt/tzgg/202107/P020210707325480706163.pdf>



consumes the treated sewage water and combusts the sludge in the industrial parks, as well as converts its waste matters into useful products and sells them to the local factories, thus keeping the resources recycled within a closed loop and increasing economic benefits. As a result, the Group provides innovative solutions to the government and the industrial parks that help them to achieve ultra-low emissions. In addition, the Company has been taking various measures to control the water usage and electricity consumption in its production operations. In order to further conserve resources and energy, the Company is targeting to reduce the water usage for each tonne of steam generated in an hour by 5% in the next 5 years while the electricity consumption for each tonne of steam generated in an hour is expected to be reduced by 10% in the next 5 years.

In 2021, Sunpower achieved a resilient performance despite cost pressures on the GI projects' production operations from surging feedstock prices amidst the continuous across-the-board increases in commodity prices during the year. Following the disposal and deconsolidation of the M&S business on 30 April 2021, the Group recorded revenue of more than RMB3.4 billion and group PATMI without financial effects of CBs of RMB435.8 million<sup>2</sup> in FY2021. Group underlying operating cash flow<sup>3</sup> was a robust RMB244.3 million. In addition, the Group completed the disposal of the Manufacturing and Services ("M&S") Business at a consideration of RMB2.29 billion in 2021. A major portion of the net proceeds was paid as a Special Dividend to shareholders and bondholders in recognition of their support and to improve their investment returns.

2021 was also a year that showcased the resilience of Sunpower's business model. Growth in our clean and green steam business remained robust with total steam sales volume up 45.2% to a record high of 7.93 million tonnes, which led to a 53.3% YoY improvement in the recurring revenue<sup>4</sup> of the Green Investments ("GI") clean steam business to RMB2,047.3 million. Despite the extraordinary rise of feedstock prices in 2021, the Group's strong operational management capabilities, implementation of mitigation measures and the price formation mechanism that links the cost of feedstock to the price of steam have allowed the Group to keep GI recurring EBITDA<sup>5</sup> robust at RMB466.2 million, while GI

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**The Company uses the terms "GI recurring revenue", "GI recurring EBITDA", "GI recurring PATMI", and "GI operating cashflow" to reflect the operating results of the GI business. The financial data in the Sustainability Report should be read in conjunction with the Annual Report 2021 released on 5 April 2022.**

<sup>2</sup> Including gain on disposal of RMB934.3 million and expenses incurred by the Company in connection with the M&S disposal, namely the excess cash dividend paid to Convertible Bond holders which is recognised as finance cost, project adviser fees and withholding taxes.

<sup>3</sup> Group underlying operating cash flow excludes CB interest paid annually. The group underlying operating cashflow in 2021 excluded CB interest of RMB21.0 million.

<sup>4</sup> GI recurring revenue refers to recurring revenue generated by the GI business. It excludes one-time contributions from internal EPC services for BOT projects that are provided by the Group's internal project management department, recognised in accordance with IFRIC 12 Service Concession Arrangements.

<sup>5</sup> GI recurring EBITDA refers to the recurring Earnings before Interest, Tax, Depreciation and Amortisation of the GI Business. It excludes gains or costs incurred by way of the M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc.; one-time contributions from internal EPC services for BOT projects that are provided by the Group's internal project management department, recognised under IFRIC 12 Service Concession Arrangements; as well as expenses incurred by the Company that are not related to the running

recurring PATMI<sup>6</sup> stayed positive at RMB135.7 million. As the GI projects are still ramping up, the long-term Net Present Value (“NPV”) of future cashflows generated by the Group’s GI business is expected to be substantially higher than the latest period.<sup>7</sup>

As you read the rest of this report, we thank you for your interest in our company and taking this sustainability journey with us. Sunpower will continue to strengthen the implementation of our green development strategy to achieve our corporate objective of green and sustainable development and make our contributions to help achieve the country’s national objectives of carbon peaking and carbon neutrality. Sunpower will strive for the noble synergistic effects of sustainable economic development and reduction of pollution and carbon emissions to safeguard the common future and welfare of ourselves, our customers, our suppliers and most importantly, our children and future generations to come.

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of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the operating results of the GI business.

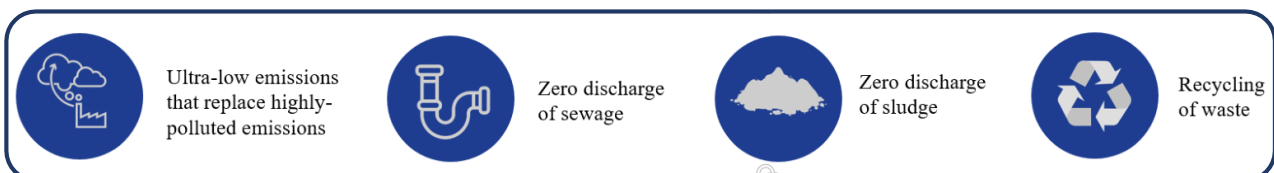
<sup>6</sup> GI recurring PATMI refers to the recurring Profit after Tax and Minority Interests of the GI Business. It excludes gains or costs incurred by way of the M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc.; one-time revenue contributions from internal EPC services for BOT projects that are provided by the Group’s internal project management department, recognised under IFRIC 12 Service Concession Arrangements; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the profit of GI business attributable to the Group.

<sup>7</sup> Based on the Company’s long-term discounted cashflow forecasts.

## Sustainability Approach

As a leader in the industry, the Company always upholds and practices the core values of quality, reliability, leadership, trust and respect, commitment and accountability, innovation, efficiency and harmony in its business to achieve the sustainable development of the economy, society and environment over the long run. The main areas of focus are:

- Implement total environmental protection solutions and adopt circular economy model in GI projects to achieve ultra-low emission
- Conserve the environment by optimising consumption and management of energy and water
- Respect and protect the rights, health and safety of stakeholders
- Create value for the community by promoting community development
- Encourage and support the sustainable development of our partners by providing “green” solutions



### Environment

- Pioneer in achieving carbon emission peak and carbon neutrality goals for China
- Helps to build zero-emission circular economy industrial parks and facilitate green sustainable development of the local economy
- Practises benefit-driven environmental protection to help the Company and customers attain quality, green and low-carbon growth
- Promotes the utilisation of biomass energy and achieves the integrated benefits of clean energy and rural ecology governance

### Social

- Protects the rights of employees through a sound personnel management system and a safe, healthy working environment
- Helps to increase and stabilise local employment and promotes the sustainability of enterprises and the local economy
- Participates in social welfare programs and contributes to the fight against the pandemic

### Governance

- Wins the government's trust and support by addressing its key concerns through the Group's key competitive edges
- Complete operational system, risk management and internal control system in place to counter various risks, including compliance
- Zero tolerance for corruption and bribery, etc, with established policies to prohibit such misconduct

## Corporate Governance

The Group has been listed in Singapore since 2005 and has built an established corporate governance system. We are committed to establishing and maintaining stable partnerships with all shareholders, employees, partners, suppliers, customers and government to create a healthy and mutually beneficial ecosystem.

We believe that good corporate governance establishes and maintains an ethical environment within the Group, which serves the interests of all shareholders and stakeholders. We have in place a set of self-regulating and monitoring mechanisms, in accordance with the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore, and will continue to keep pace with developments in corporate governance to improve our practices and operating framework. We are committed to maintaining a high standard of corporate governance and corporate practices to safeguard against fraud, with the aim of protecting shareholders' interests as well as securing the long-term success of the Group. We place heavy emphasis on ethical business conduct by all employees who are expected to conduct themselves in accordance with the expectations set out by the Group's Code of Conduct. We will take actions such as formal disciplinary proceedings if there is any unethical conduct or malpractice in relation to corruption or fraud. This moral code enhances our business relationships and corporate social responsibility.

We will continually do our utmost to ensure that business operations and processes are managed in a way that minimise their impact on the environment. In line with our commitment to a high standard of corporate governance, policies in relation to Anti-Corruption, Conflict of Interest, Insider Trading, Fraud and Whistle-blowing, have been established. For example, the Company's well-defined Whistle-blowing process ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that whistle-blowers will be protected from reprisal and detrimental or unfair treatment for whistle-blowing in good faith. The Board undertakes to investigate complaints of suspected fraud in an objective manner and has put in place a whistle-blowing policy and procedures which provide employees with well-defined and accessible channels (such as email address and telephone contact) within the Group, including a direct channel to the Audit Committee ("AC"), for reporting suspected fraud, corruption, dishonest practices or other similar matters. We have also set a strong tone of zero tolerance towards dishonesty and corrupt practices. In FY2021, there were no cases of corruption brought against the Group or our employees.

The Group has engaged an external professional service firm, Nexia TS Risk Advisory Pte Ltd ("Nexia TS"), to perform internal audit reviews and test of controls of critical processes, based on the internal audit plan approved by the AC before the commencement of work each year. In addition, Sunpower has engaged Deloitte & Touche LLP as external auditors of the Group. Finally, the Group has established procedures to ensure that transactions with interested persons are reported on a timely

manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Board of Directors comprises the members listed below who are responsible for decision-making on economic, environmental, social and governance topics that are most pertinent to the Group. They have the appropriate core competencies and diversity of experience that enable them to effectively contribute to the Group.

For further details on Corporate Governance, please refer to Sunpower's 2021 Annual Report.

### **BOARD OF DIRECTORS**

Guo Hong Xin (Non-Executive and Non-Independent Director)

Ma Ming (Executive Director)

Yang Zheng (Lead Independent Director)

Lau Ping Sum Pearce (Independent Director)

Chin Sek Peng (Independent Director)

Wang Dao Fu (Independent Director)

Li Lei (Non-Executive and Non-Independent Director)

Wang Guannan (Non-Executive and Non-Independent Director)

### **AUDIT COMMITTEE**

Chin Sek Peng (Chairman)

Lau Ping Sum Pearce

Yang Zheng

### **NOMINATING COMMITTEE**

Wang Dao Fu (Chairman)

Guo Hong Xin

Lau Ping Sum Pearce

Chin Sek Peng

Li Lei

Wang Guannan

Yang Zheng

### **REMUNERATION COMMITTEE**

Lau Ping Sum Pearce (Chairman)

Chin Sek Peng

Li Lei

Wang Guannan

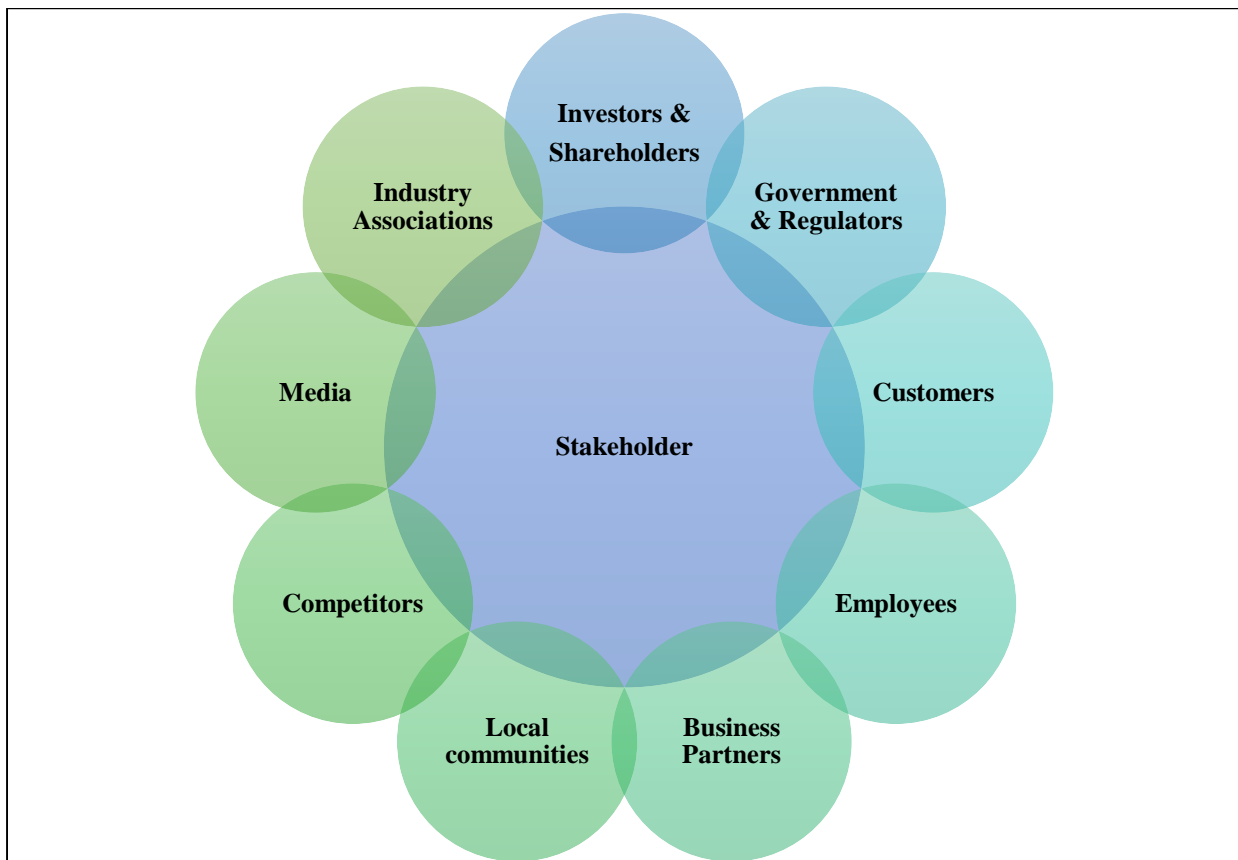
Wang Dao Fu

## Stakeholder Engagement

An important element in building up our sustainability model is to identify our diverse stakeholder groups based on their level of influence in our business.

The interests and requirements of key stakeholders are also considered when formulating corporate strategies. The key stakeholders include but are not limited to customers, suppliers, employees, investors and regulators.

We have adopted both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate their feedback into our corporate strategies and execution plans to achieve mutually beneficial relationships.



Stakeholder Group	Engagement Activities	Stakeholders' Expectations
<b>Investors &amp; Shareholders</b>	<ul style="list-style-type: none"> <li>- Annual general meetings</li> <li>- Board meetings</li> <li>- Shareholders' circulars</li> <li>- Financial results briefings</li> <li>- Non-deal roadshows</li> <li>- One-on-one meetings</li> <li>- Group presentations</li> <li>- Informal communications and discussions</li> </ul>	<ul style="list-style-type: none"> <li>- Business growth</li> <li>- Transparency</li> <li>- Timely reporting</li> <li>- Fair disclosure practices</li> </ul>
<b>Government &amp; Regulations</b>	<ul style="list-style-type: none"> <li>- Regular review of legal regulations &amp; standards, and regulatory norms</li> <li>- Regular risk identification, analysis and evaluation, risk control and risk management training</li> <li>- Internal and external audits to ensure compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Environmentally-friendly business approach</li> <li>- Compliance with regulations</li> <li>- Timely reporting and resolution of issues</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>- Continuous R&amp;D innovation to develop environmentally-friendly and safe products/projects</li> <li>- Execute design, production and construction in strict accordance with standards, norms and management systems</li> <li>- Provide technical support and services</li> <li>- Promote energy savings and emission reduction with the concept of benefit-oriented environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>- Superior-quality products and solutions</li> <li>- Top-notch customer service</li> <li>- 24x7 after-sales services</li> <li>- Timely technical support</li> </ul>



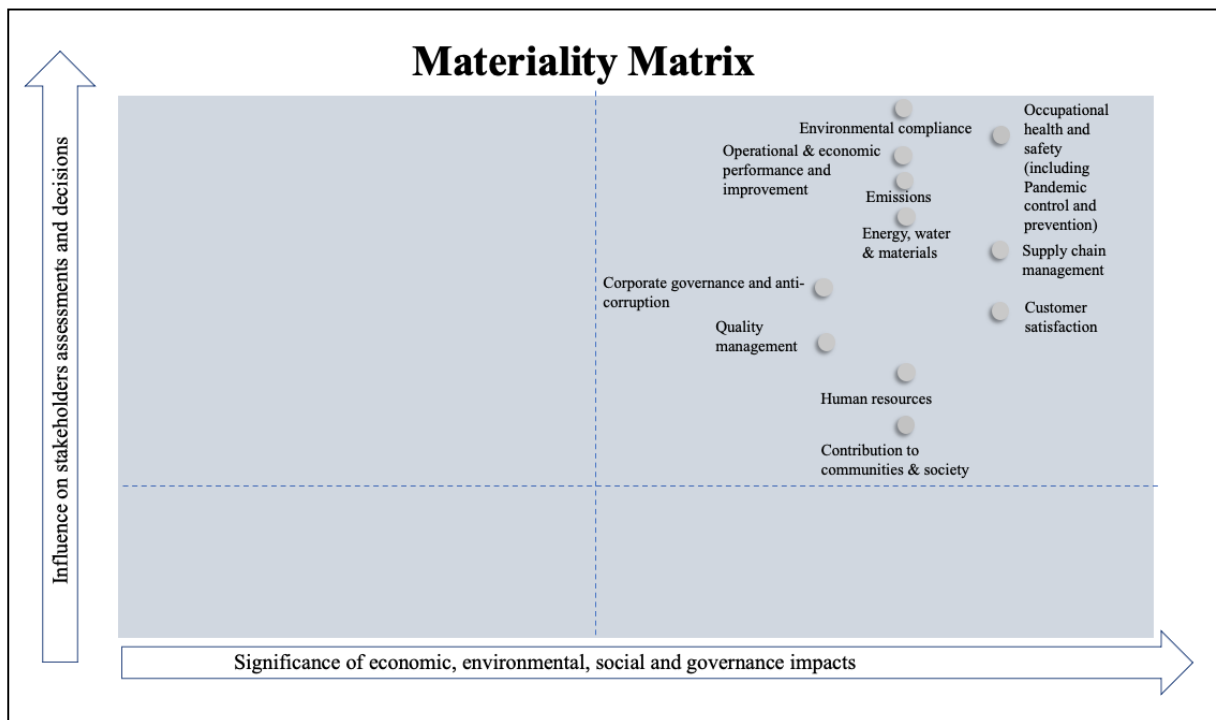
Stakeholder Group	Engagement Activities	Stakeholders' Expectations
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Understand the employees' career development direction</li> <li>- Conduct pre-post and on-job training, and mentoring system</li> <li>- Fair performance appraisal, and compensation benefit growth system</li> <li>- Carry out health examinations for employees</li> <li>- Improve safety awareness through implementation of occupational health and safety management system</li> <li>- Develop rich and vibrant team-bonding activities</li> </ul>	<ul style="list-style-type: none"> <li>- Staff rights and welfare</li> <li>- Personal development</li> <li>- Health and safety</li> </ul>
<b>Business Partners (Incl. Suppliers)</b>	<ul style="list-style-type: none"> <li>- Fulfill contractual obligations strictly</li> <li>- Enhance communication and relationship between partners</li> <li>- Administer strictly Code of Conduct for Procurement Personnel</li> </ul>	<ul style="list-style-type: none"> <li>- Honesty and trustworthiness</li> <li>- Stable cooperation</li> <li>- Mutual benefit and win-win situation</li> </ul>
<b>Local Communities</b>	<ul style="list-style-type: none"> <li>- Implement environmental management system, and environmental credit evaluation</li> <li>- Cleaner production that saves energy with reduced carbon emission</li> <li>- Effective pandemic control and prevention system that reduces infections and saves lives</li> <li>- Participate actively in community activities</li> <li>- Focus on public welfare and support education</li> </ul>	<ul style="list-style-type: none"> <li>- Environmental-friendly business approach</li> <li>- Strong control of pandemic-related infections that minimises disruptions</li> <li>- Compliance with regulations</li> <li>- Local support</li> </ul>

Stakeholder Group	Engagement Activities	Stakeholders' Expectations
<b>Competitors</b>	<ul style="list-style-type: none"> <li>- Abide by business ethics, anti-bribery and fair competition policies</li> </ul>	<ul style="list-style-type: none"> <li>- Fair competition</li> <li>- Common development</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>- News releases</li> <li>- Interviews with management</li> <li>- Financial results briefings</li> </ul>	<ul style="list-style-type: none"> <li>- Timely responses and arrangements</li> <li>- Transparency</li> <li>- News published as scheduled</li> </ul>
<b>Industry Associations</b>	<ul style="list-style-type: none"> <li>- Business partnerships</li> <li>- Consultancy and academic support</li> </ul>	<ul style="list-style-type: none"> <li>- Meet industry standards and baselines</li> <li>- Attend seminars, workshops and panels, with useful inputs offered</li> </ul>

## Material Topics

Identifying the consequences and effects of our actions and incorporating our stakeholders’ concerns into our business strategy has been the basis of our sustainability management. Our materiality analysis is based on the four principles of sustainability, namely (1) economic, (2) environmental, (3) social and (4) governance. This framework helps us to gain a thorough identification of the topics that are of greatest interest to our stakeholders, so that our sustainability reporting can present the most relevant information.

Based on feedback from our stakeholders, we have finetuned the scope of factors that are material to the organisation and stakeholders in 2021, as well as the manner in which we present them. Our priorities are reflected in the Materiality Matrix below and all of our material factors are ranked high in priority at a minimum.



The materiality assessment is endorsed by the management committee. We review our material topics every year following feedback from stakeholders and adjustments in our own business goals. A more detailed discussion on the material topics, including management approach, how we evaluate the management approach and the topic boundary limitations, if any, is provided in the respective chapters of this report.

No.	Topic	Commitments
1	Environmental compliance	<ul style="list-style-type: none"> <li>• <b>Build high-efficiency, ultra-low emission, centralised “Green Investment” projects</b> that support the government’s drive to reduce air pollution and carbon emissions by eliminating high-emission, small, decentralised coal-fired boilers, thus helping to reduce environmental impact and to fight against climate change.</li> <li>• <b>Adopt a circular economy zero-waste production model</b> in which we use treated water and sludge from sewage treatment plants within industrial parks as feedstock, and convert our waste outputs into materials that are useable by other downstream industries in order to improve energy savings and reduce resource waste and pollution, whilst achieving ultra-low emissions for the industrial park.</li> </ul>
2	Occupational health and safety	<ul style="list-style-type: none"> <li>• Strictly implement the occupational health and safety management both inside and outside the Company, <b>especially for pandemic prevention and control measures.</b></li> <li>• Create a <b>culture of health and safety</b> that supports practices associated with the highest workplace standards and processes.</li> </ul>
3	Operational & economic performance and improvement	<ul style="list-style-type: none"> <li>• <b>Deliver a strong economic performance</b> with the GI business on the back of an adaptable and reliable business model and a strong competitive edge.</li> <li>• Further intensify efforts to <b>cultivate and enhance existing GI projects</b> with an emphasis on their quality of development, such as proceeding with the planned</li> </ul>

		<p>construction of the second phases of some existing projects; harnessing our experience and technology to upgrade and revamp certain GI projects where necessary in order to raise operational efficiency; and continue to execute comprehensive initiatives for further cost control and efficiency improvements, wherever possible.</p>
4	Emissions	<ul style="list-style-type: none"> <li>• <b>Continuously contribute towards bringing back blue skies to China</b> and help fulfill China’s mission of protecting and restoring the ecological environment by capitalising on our management expertise, circular economy model, and innovative technologies.</li> <li>• <b>Achieve ultra-low emissions</b> through the four “zero emission” practices, namely (1) the use of energy-saving, environmental protection technology and long distance steam distribution pipeline technology to enable our own facilities to basically achieve the zero-emission standard that is comparable to natural gas; (2) the use of desulfurisation and denitrification technology to convert SO<sub>2</sub> and NO<sub>x</sub> in flue gas into compound fertiliser products in order to achieve zero waste discharge; 3) the use of sludge drying and incineration technology to help local industrial parks to dispose of the untreated sludge, thereby helping the industrial parks to achieve zero emission of waste; and (4) providing clean and green industrial steam to the enterprises within the industrial parks to help customers themselves achieve zero emissions.</li> </ul>
5	Energy, water & materials	<ul style="list-style-type: none"> <li>• <b>Reduce energy, resources and materials consumption</b> continuously through the development and implementation of conservation measures and comprehensive utilization of resources, such as the sludge drying and incineration project to use waste sludge from sewage treatment plants as a substitute for coal feedstock which reduces use and cost of feedstock. In addition, the solid waste, such as fly ash, wet dregs and desulfurized</li> </ul>

		<p>gypsum, is converted into raw materials for fertilizer and building material factories to harmlessly reuse the waste.</p> <ul style="list-style-type: none"> <li>• <b>Reduce water consumption and water contamination</b> particularly through the use of recycled and treated water by ensuring the collection, disposal and recovery of waste water discharged from all activities, and preventing negative effects on local water sources.</li> </ul>
6	Supply chain management	<ul style="list-style-type: none"> <li>• Work closely with suppliers to maintain a high standard of operations, while simultaneously working to sustain the resiliency of business performance, cost efficiency and customer satisfaction.</li> <li>• Regularly assess and evaluate suppliers in terms of material and supplies quality, after-sales service, project safety and environmental protection to ensure that high standards are upheld.</li> <li>• Zero supplier incidents of social or environmental non-compliance occurring with the Group's premises or projects.</li> </ul>
7	Corporate governance and anti-corruption	<ul style="list-style-type: none"> <li>• Stay abreast of the latest developments in the relevant code of <b>corporate governance</b>, and educate and uphold good corporate governance practices across all levels of the organization.</li> </ul>
8	Customer satisfaction	<ul style="list-style-type: none"> <li>• Achieve high levels of satisfaction and good reputation through delivering high-quality products to end-users that meet or exceed customer requirements and form a win-win relationship with customers.</li> </ul>
9	Quality management	<ul style="list-style-type: none"> <li>• Operate in accordance with regulations to ensure stable operation of facilities to produce quality products.</li> <li>• <b>Meet or exceed customers' expectations.</b></li> </ul>

10	Human resources	<ul style="list-style-type: none"> <li>• Cultivate an <b>engaged workforce</b> by attracting, developing, and retaining talented and qualified employees, and subsequently providing meaningful work and attractive and fair compensation through competitive wages and benefits as well as job security for employees.</li> <li>• <b>Implement enlightened HR policies</b> that place importance on gathering staff feedback through trusted mechanisms on company practices; work to fulfil their training needs; and ensure gender equality and prohibition of gender discrimination in employment.</li> </ul>
11	Contribution to communities & society	<ul style="list-style-type: none"> <li>• Manage impacts <b>and bring benefits</b> to the <b>communities</b> where we operate; engage in dialogue with local communities and develop relationships with key community stakeholders; be accessible, transparent, and proactive in addressing concerns or grievances; and maintain feedback and grievance mechanisms.</li> <li>• Give back to society in the course of its development, and continuously make its investment in public welfare and social responsibility.</li> </ul>

## ENVIRONMENT

### Green Investment Business



Sunpower's GI business invests in and operates centralised facilities that can provide “clean and green, ultra-low emission” industrial steam, electricity and heating. The GI business helps to improve energy savings, reduce air pollution, and enhance the infrastructure of the industrial parks where GI projects are located through the application of the circular economy model and advanced technology on environmental protection and energy conservation, delivering long-term economic, environmental and social benefits.

On 10 December 2021, Sunpower was again included in the 2021 China Energy (Group) List, ranking in 327<sup>th</sup> place<sup>8</sup>.

326	山东鲁泰控股集团有限公司
327	中圣集团 (Sunpower Group Ltd.)
328	山西成功投资集团有限公司
329	广东电缆厂有限公司
330	山西通州煤焦集团股份有限公司
331	北京京运通科技股份有限公司

<sup>8</sup> [http://news.sohu.com/a/509475956\\_777213](http://news.sohu.com/a/509475956_777213)



Four GI projects commenced construction of new plants or expansion of existing capacity in 2021:

	<p><b>Tongshan Project</b> Tongshan Project has commenced commercial production.</p>
	<p><b>Shantou Project</b> Expected production launch of Shantou Project Phase 2 in 2022.</p>
	<p><b>Xintai Zhengda Project</b> Xintai Zhengda Project has been completed and in commercial operation.</p>
	<p><b>Shanxi Xinjiang Project</b> Shanxi Xinjiang Project is expected to start operations in 2022.</p>

As a major emitter of greenhouse gases, the energy industry shoulders significant responsibilities in conserving energy and reducing emissions. Therefore, Sunpower has undertaken major measures to mitigate the potential risks from climate change, including the revamping and transformation of plants, phasing out outdated production facilities and improving the clean production of plants.

### 1. Reduce Pollutant Emission by Using Environmental-friendly Technologies

Sunpower helps to realise China's mission of protecting and restoring the ecological environment. Leveraging on the management experience of the Group, Sunpower incorporates the circular economy model in certain projects, and most importantly, applies innovative, advanced technology packages including its energy-saving technology, environmental protection technology and long-distance steam distribution pipelines technology, as well as project modification and upgrading capabilities. In this way, (a) we expanded customer coverage, achieved economies of scale in supplying high-quality steam to 525 customers in approximately 20 industries; (b) reduced the consumption of raw materials; and (c) ensured the production equipment is capable of achieving ultra-low emissions lower than that of natural gas. As the facilities that support the sustainable development of the economy, the GI projects have contributed to the shutdown of several hundred coal-fired boilers that consumed high amounts of energy and generated high amounts of pollution, and the annual reduction of over 600,000 tonnes of carbon

dioxide and over 65,000 tonnes of dust, sulfur dioxide (SO<sub>2</sub>) and nitrogen oxide (NO<sub>x</sub>) emissions by 2021.



Emission Limit (mg/m <sup>3</sup> )	Newly-built Coal-fired Boilers <sup>(1)</sup>	Newly-built Coal-fired Power Generation Boilers <sup>(2)</sup>	Coal-fired Power Generation Boilers in Key Areas <sup>*</sup> (2)	Natural Gas Boilers & Gas Turbines <sup>(2)</sup>	Sunpower's Capabilities
Dust	50	30	20	5	< 5
SO <sub>2</sub>	300	100	50	35	< 35
NO <sub>x</sub>	300	100	100	50	< 50

(1) 'Boiler Air Pollutant Emission Standard' by the Ministry of Ecology and Environment of the PRC (GB13271-2014) [http://www.mee.gov.cn/ywqz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrfbz/201405/t20140530\\_276318.shtml](http://www.mee.gov.cn/ywqz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrfbz/201405/t20140530_276318.shtml)

(2) 'Emission Standard of Air Pollutants for Thermal Power Plants' by the Ministry of Ecology and Environment of the PRC (GB 13223-2011) [http://www.mee.gov.cn/ywqz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrfbz/201109/t20110921\\_217534.shtml](http://www.mee.gov.cn/ywqz/fgbz/bz/bzwb/dqjhbh/dqgdwrywrfbz/201109/t20110921_217534.shtml)

\* Key regions mainly refer to the Beijing-Tianjin-Hebei region, the Yangtze River Delta and the Pearl River Delta region

## 2. Energy Conservation and Consumption Reduction of Operating Projects

<p><b>Changrun Project</b></p> <ul style="list-style-type: none"> <li>▪ Steam supply to new customer Sanli started in May 2021 following the completion of the pipeline connection.</li> <li>▪ “Zero waste” circular economy model: Treated wastewater is used to generate steam, while waste outputs are sold to other factories.</li> <li>▪ Made positive progress in limiting carbon emissions and raw material consumption against allowable quotas.</li> </ul>	
<p><b>Yongxing Plant</b></p> <ul style="list-style-type: none"> <li>▪ Exclusive steam supplier uses treated river water to generate steam.</li> <li>▪ Pioneered innovative business operational strategies and settlement methods.</li> <li>▪ Awarded ‘Excellent Enterprise in Power Generation and Heat Supply Sector of Suzhou’ and ‘Double-Benchmark Enterprise’.</li> <li>▪ Post-acquisition upgrades completed. Strong improvements seen in operational efficiency and financial results.</li> <li>▪ From 1Q2021, the combustion efficiency of mixed sludge improved and revenue increased while sludge discharge pollution reduced.</li> <li>▪ JV (Suzhou Green Bright Renewable Energy Co., Ltd.) produces and supplies steam and electricity using general solid waste as feedstock. The use of alternative feedstock for steam production is clean, efficient, environmentally-friendly, and aligned with the national industrial standards.</li> </ul>	

<p><b>Shantou Project</b></p> <ul style="list-style-type: none"> <li>▪ Exclusive steam supplier with 38.5 years concession.</li> <li>▪ Received incentives from the central government for air pollution and control.</li> </ul>	
<p><b>Suyuan Plant</b></p> <ul style="list-style-type: none"> <li>▪ Major upgrades: Operational performance and efficiency are further improved with substantial completion of plant upgrades.</li> <li>▪ Desulfurization transformation, and energy saving and emission reduction carried out to improve ability to meet the emission standard.</li> </ul>	
<p><b>Jining Project</b></p> <ul style="list-style-type: none"> <li>▪ Through continuous operational innovation, the rooftop photovoltaic (PV) panel project has been implemented, boosting development of electricity sales.</li> </ul>	
<p><b>Xintai Zhengda Project</b></p> <ul style="list-style-type: none"> <li>▪ Xintai Zhengda Project Phase 1 added two more boilers to complement the first biomass boiler that has been ramping up since 4Q 2020.</li> <li>▪ Implemented water recycling through high-priority application of water-saving technologies to conserve water.</li> <li>▪ Continuous connection to new customers.</li> <li>▪ Approved for government incentives targeted at encouraging the development of biomass power generation.</li> <li>▪ Improved business performance by helping customers reduce usage of pollutive small boilers and increasing demand for steam.</li> </ul>	

### **3. Improve Energy Efficiency**

At the beginning of the year, Sunpower formulated the energy conservation work plan, set energy management assessment goals that are scientifically reasonable and in line with the characteristics of the industry and the international and domestic advanced standards, and assigned targets to its subordinate enterprises, departments and teams. Through the timely monitoring of statistical data and periodic review and analysis, its energy management performance was continually improved.

All projects comprehensively utilized the potential of the best equipment available to raise energy application efficiency through technical and management measures such as the modification of equipment units to upgrade production capacity; shutdown of small units; saving energy and increasing efficiency for key equipment; and strengthening of equipment management. Xintai Zhengda project invested in the building of heat pumps to facilitate the recovery of waste heat by utilising small temperature differences from circulating water, thus enhancing the heating capacity, achieving energy conservation and emission reduction, and guaranteeing heating for the people whilst ensuring safety, environmental protection and economic performance.

### **4. Actively Participate in Carbon Trading**

As a market mechanism to promote reduced global emissions of greenhouse gases and carbon dioxide, carbon trading supports the green and low-carbon transition of the economy. Sunpower has built a safe and efficient energy system, and has carried out carbon emission credit inventory, inspection, monitoring, quota accounting, contract implementation and trading in operating projects, and has continuously reduced the carbon emission level by undertaking various energy-saving and consumption reduction measures. Sunpower regularly organises training on carbon asset policies to ensure an understanding of relevant policies of the national carbon market, quota trial calculation and allocation, and implementation of trading and other major processes of the carbon market in order to improve the company's ability and standard of management in participating in the carbon emission rights trading market. It successfully completed this implementation task in the inaugural year of the national carbon market's operation.

### **5. Environmental Protection Training and Education**

Sunpower continuously strengthens the communication and implementation of energy conservation and environmental protection concepts, and cultivates environmental protection awareness among project company employees. The project companies also independently carry out training on basic knowledge, technology supervision and management of environmental protection to achieve full coverage in

environmental training. In 2021, the green investment business conducted a total of 4,178 person-times\* and over 13,000 hours of EHS training.

Note: \* Person-times refer to the number of participants multiplied by the number of trainings



## 6. Adherence to Green Production

**(i) Assist in the prevention and control of air pollution:** Sunpower has continued to strengthen the supervision and management of air pollution prevention and control, and harnessed the potential to reduce emissions by adopting a series of measures such as clean production processes and technical transformations.

At present, Sunpower has fully implemented the ultra-low emission transformation of all its co-generation projects to reduce the emission level of pollutants from the source. The co-generation projects' ultra-low emission equipment units are also capable of reducing emission concentrations of dust, sulfur dioxide and nitrogen oxide to below the emission standards of natural gas boilers and turbines of  $5\text{mg}/\text{m}^3$ ,  $35\text{mg}/\text{m}^3$  and  $50\text{mg}/\text{m}^3$  respectively. The pollutant emission is being closely monitored online in real-time.

**(ii) Pollution treatment and comprehensive utilisation of solid waste:** For the comprehensive utilisation of solid waste, Sunpower adheres to the concept of “turning waste into treasure” and strive to reduce the generation of waste by actively exploring ways to maximize the utilisation of waste resources and to make full use of everything. Sunpower has actively explored coupled combustion technology for coal sludge and general solid wastes. By mixing the sludge and general solid waste as fuel for boilers, resources are created out of the disposal of sludge and general solid waste, turning the waste into treasure. This method has been applied in Changrun project, Yongxing plant, and Suyuan plant. In addition, the large amounts of solid by-products such as fly ash, slag, desulfurised gypsum, etc that are produced by the project companies can be used as good raw materials for building materials to produce mortar and concrete, while ammonium sulfate granules can not only be used directly as a raw material of chemical

fertilisers but can also be processed into organic fertilisers and organic compound fertilisers by adding agricultural straw, poultry and livestock manure, for which there is a broad market demand. All by-products and wastes can be recycled and reused in accordance with the principle of green recycling and sustainability to realise the ultra-low emissions by the infrastructure of the industrial parks.

**(iii) Water pollution treatment and water resource recycling:** In striving to save water resources and strengthen recycling, Sunpower strictly controls the treatment and discharge of industrial waste water. Water discharged from unit maintenance and various mechanical equipment is collected and treated for re-use.

For water resources recycling, in order to reduce the amount of water consumed from natural water bodies and groundwater, Sunpower's GI plants give priority to the use of recycled water (effluent from wastewater treatment plant) after taking into account the actual conditions. This year, Xintai Zhengda Project has also implemented water recycling in addition to Changrun Project and Shantou Project. Simultaneously, the high-priority application of water-saving technologies such as the closed circulation of cooling water, flue gas dehydration and increasing the concentration ratio of circulating water have been made to effectively utilise water resources, reduce fresh water loss and continuously improve the efficiency of water resource utilisation. Further, Quanjiao Project has been awarded the title of "Water Saving Enterprise" issued by the local government.

**(iv) Supervision and management of energy conservation and emission reduction technologies** are implemented throughout the entire process of power generation and heat supply, while important parameters, performance and indicators that affect the economic operation of power generation and heating equipment are supervised, regulated and assessed, in order to strive to reach the best values for indicators related to coal, electricity, oil, steam and water.

Water is the primary raw material used to generate the company's steam. Over the years, the Company has committed to water recycling and energy conservation. The water usage and electricity consumption for each tonne of steam generated in one hour is as follows:

Category	2021
Water usage for one tonne of steam produced in an hour (t/(t/h)) <sup>(1)</sup>	1.01
Electricity consumption for one tonne of steam produced in an hour (kWh/(t/h)) <sup>(2)</sup>	24.8

Note:

(1) The calculation formula: water used / steam volume generated in one hour

(2) The calculation formula: electricity consumed / steam volume generated in one hour

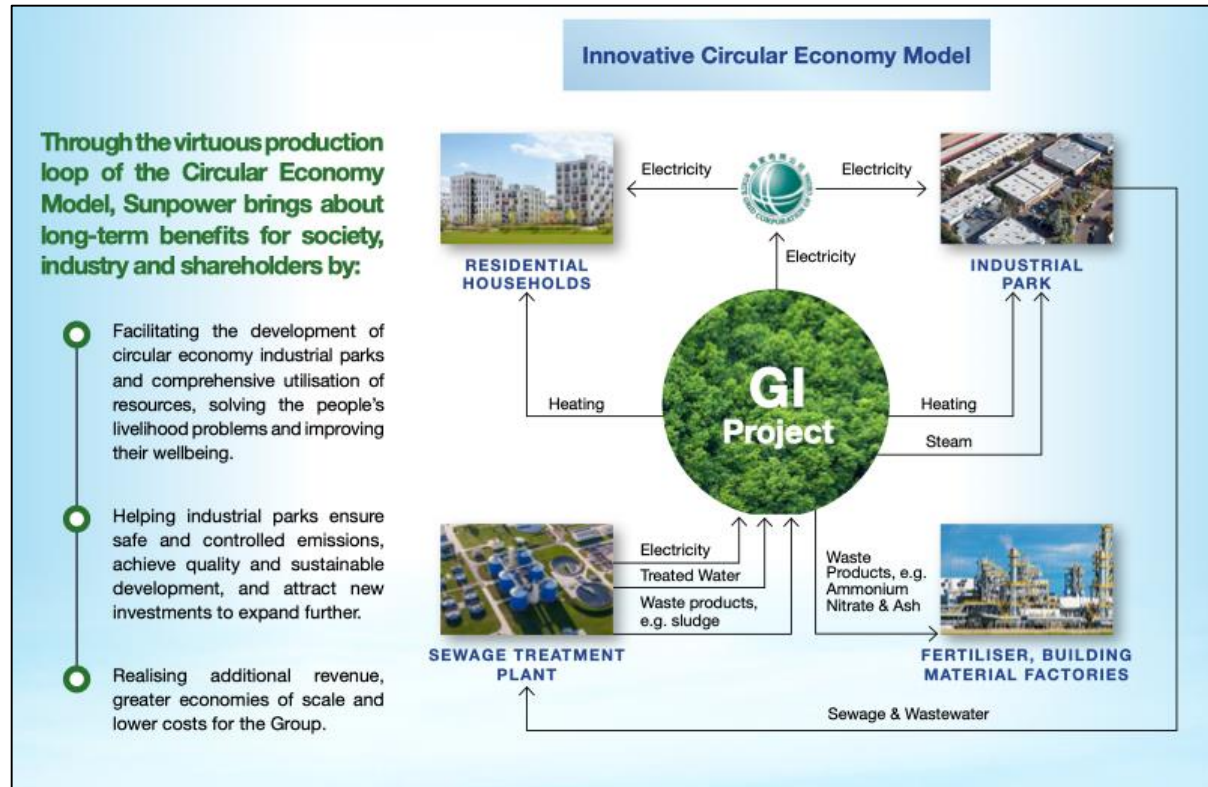
## 7. Adoption of Circular Economy Zero-Waste Production Model

The Group's adaptable and reliable business model combines the circular economy zero-waste resource utilisation model and leading technologies to form a strong competitive moat. As the pioneer in the development of centralised circular economy infrastructure, such as the Shantou Project which received incentives from the central government for air pollution and control, the Group has a strong supplier role in the provision of steam, a non-discretionary production input, to industrial users. In addition, it is able to increase its geographical reach to achieve economies of scale with its long-distance steam transmission pipeline technology. Through the application of advanced technologies, including environmental protection, energy-saving and blended combustion of sludge technologies, Sunpower consumes the treated sewage water and combusts the sludge in the industrial parks, as well as converts its polluted matters into useful products and sells them to the local factories, thus keeping the resources recycled within a closed loop and increasing economic benefits. As a result, the Group provides innovative solutions to the government and the industrial parks that help them to achieve ultra-low emissions.

With the vigorous promotion of the development of circular economy industrial parks, including centralised steam facilities<sup>9</sup>, by the National Development and Reform Commission (NDRC) as part of the "14th Five-Year Plan", Sunpower's strategy is strongly aligned with national environmental policies. To-date, the Group has successfully established a sizeable portfolio of 10 projects in operation and 1 under construction. With their exclusive concessions or natural defacto exclusivity, and diverse end-users in the industrial parks that are located in economically-vibrant provinces, the GI projects are expected to generate recurring income and cash flows for the Group over the long-term.

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<sup>9</sup> Source: <https://www.ndrc.gov.cn/xwdt/tzgg/202107/P020210707325480706163.pdf>





## **Green Lifestyle and Working**

Sunpower advocates employees to 'go green' by starting with simple acts such as saving electricity, water and paper, turning off the power after work, and checking the power supply in public areas. It also provides waste water recycling bins and waste paper recycling boxes in office premises to encourage the re-use of paper. It proactively responds to the government's drive to advocate and practice waste classification. It has made arrangements to set up public bicycle parking points at the Company's entrance to encourage employees to adopt a greener and healthier mode of transport. It has purchased and deployed video conferencing systems to encourage video meetings and reduce unnecessary long-distance travel. All companies in the Group carry out annual tree planting activities as a way to create a green, low-carbon environment for work and living.

## SOCIAL RESPONSIBILITY

### Internal Occupational Health and Safety Management

#### 1. Production Safety

**(1) Management of safety risks and investigation of hidden hazards:** to control safety risks in production and operation, Sunpower conducts risk identification work such as HSE operation risk assessment, regional risk assessment and job safety risk assessment on a regular basis, and develops corresponding prevention and control measures according to the risk categories and levels. On-site work safety inspections are carried out periodically to identify risks and hidden hazards, exhaustively covering all aspects. For the identified problems and hidden hazards, site inspection recommendations are developed and rectification dates determined in order to successfully perform closed-loop management of hidden hazard rectifications. In 2021, the project companies identified 1,198 hidden hazards in daily inspections, and rectification was completed for all of them, a fulfillment rate of 100%.

- In 2021, the company had no personal accidents with minor injury (level D) or above level, with a 100% pass rate of various qualified safety indicators, achieving 365 days of safe production for the whole year, with accumulated number of 1,698 days of safe production.
- There were no environmental pollution accidents or incidents with significant social impact that a project company has to bear primary responsibility.
- No fire or explosion accidents or malicious operation accidents.
- No traffic accident at or above “significant” that a project company has to bear primary responsibility.
- No information security emergency event at or above “significant” level.
- 100% pass rate for all environmental protection emission indicators, as well as classified collection and compliant disposal of solid waste.
- 100% occupational health examination rate.
- No pandemic or occupational disease cases.



To strengthen the HSE management of GI project construction, Sunpower implements systematic construction of projects, guided by the principles of “enhancing awareness of red lines and implement a spirit of responsibility”, oriented around the HSE management objectives of “zero accident, zero harm and injury, and zero environmental pollution” with all staff and whole processes. In 2021, the HSE management system was established and completed in all projects, and all-round management was applied to occupational health, safety and environmental protection in project construction. In the implementation, all parties involved in the construction process were strictly required to establish and complete the safety responsibility system and implement safety duties. Sunpower continued to improve the HSE supervision and management measures on project sites, and strictly implement the HSE risk management, work permit and emergency response procedures. The overall acceptance of HSE management on site is ensured by implementing a forward incentive mechanism together with a strict penalty system based on HSE supervision results.

**(2) Creating a safety atmosphere:** incorporate and promote an enterprise safety culture in the ideas and strategies of modern safety management as an important measure to improve the safety management standards of the Company. In 2021, project companies at all levels implemented comprehensive measures to develop a HSE culture, including the safety oath, title signatures, lectures by general managers, viewing educational prevention videos, experiential safety education, learning about typical accident cases in the industry, promotion of work safety regulations, competitions on safety knowledge, speeches themed around work safety month, and an equipment operating skills competition in order to gradually build an environment that values safety and a culture in which members of the organisation switch from an attitude of “I am required to be safe” to “I want to be safe”.



**(3) Strengthening safety education and training:** Sunpower attaches great importance to safety education and training for employees, and the principal responsible persons, work safety management personnel, special operation personnel and special equipment operators have obtained certificates through training. Sunpower organises routine training and educational activities from time to time such as safety training for incoming personnel, level III safety education and training for newcomers, job transfer training, training for personnel of three special job categories, accident case study analysis and education, and regularly conducts special-topic training on cardiopulmonary resuscitation and firefighting operations, to raise employees' safety awareness and skills. In 2021, the project companies conducted a total of 8,940 person-times\* for safety training, and 6,012 person-times\* for examination, all qualified.

Note: \* Person-times refer to the number of participants multiplied by the number of trainings



**(4) Emergency drills:** Sunpower attaches great importance to the prevention, control and follow-up management of work safety accidents, and arranged emergency knowledge and skills training and emergency plan drills for all employees in a targeted manner to minimise possible losses caused by accidents; to safeguard the personal and property safety of employees; and to maintain normal the order of production and life. In 2021, Sunpower entities at all levels carried out various safety emergency drills, including flood prevention and control, office fire escape, firefighting and rescue, first aid for summer heat strokes, environmental pollution and other drills, to continuously strengthen emergency management and improve employees' ability to rescue themselves and each other in times of emergency.



**(5) Work safety standardization:** Sunpower strictly implements the requirements of the Law on Work Safety and strengthens the development of standardised work safety processes. In 2021, Sunpower designated the standardisation of work safety as one of the main work priorities of the year, and required all operational project companies to actively implement work safety standardisation according to the requirements of the industry and local governments, organize reviews according to standards and specifications, and improve work safety management levels in all aspects through the learning of standards, self-inspection and rectification, review and assessment, and continual improvement.



## 2. Occupational Health Protection

To ensure the health of employees, Sunpower has prepared and issued the Management Regulations on Occupational Safety and Health, and defined the duties and daily work requirements on occupational health of each functional department and post. Such occupational health case files clearly inform employees of occupational hazards and preventive measures. Occupational health physical examinations for all employees exposed to occupational hazards are regularly conducted, while third-party testing agencies are invited to test for occupational hazard factors every year and the test results publicised. Personal protection equipment that complies with specifications according to the law are provided, with continuous improvement to the occupational health standardisation level, forming a complete management mechanism. To-date, Sunpower has no case of work-related illness.



## 3. Pandemic Prevention

During the pandemic period, under the leadership of the pandemic prevention headquarters and subsidiaries, Sunpower's GI project companies formulated complete pandemic prevention and control plans and emergency plans, and ensured daily tallies, daily updating and daily reporting on personnel, pandemic prevention materials and policy. Pandemic prevention knowledge training and pandemic prevention training on resumption of work were organised for over 1,000 people via video to raise the

pandemic prevention awareness and safety protection knowledge of employees. Sunpower realised the goal of zero infections during the pandemic period, ensuring the resumption of steady work and heating for downstream users.



## External Occupational Health and Safety Management

### 1. Ensuring Customers' Safe and Steady Operation Against Severe Weather

To deal with severe weather such as rainstorms and strong winds, especially typhoons, all project companies have worked out emergency plans against floods and implemented them strictly to ensure heat supply with assured quality and quantity. All employees were ready for action at all times, and remained on high alert until the alarm is lifted. They withstood the test of various severe meteorological conditions, and guaranteed the safe and steady operation of customers.



### 2. Full Coverage Management of Personnel Movements for Pandemic Control and Prevention

In 2021, in order to prevent and control the pandemic in a comprehensive, rigorous, scientific and professional way, Sunpower implemented full-coverage management of the movements of all people entering and leaving the work areas of Sunpower, to ensure protection in administrative offices, canteens, fleet management and for employees on their way to and from work. In addition, customers visiting Sunpower were required to sign a personal visitor information sheet in advance, and only after safety training and the wearing of appropriate protection equipment can they enter the office and factory area.





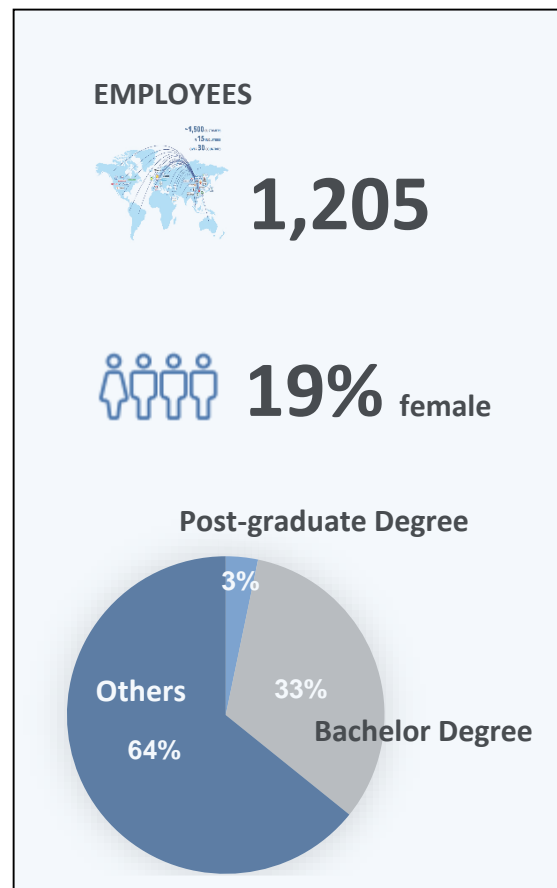
## Our people

### 1. Safeguarding of Human Rights

Sunpower strictly abides by laws and regulations such as the *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Social Insurance Law of the People's Republic of China*, *Regulations on Paid Annual Leaves for Employees*, *Regulations on Work-related Injury Insurance*, and *Law on the Protection of Women's Rights and Interests*; implements equal employment policies to eliminate all discrimination in employment practices; opposes forced labor; and has an established recruitment, development and promotion system that ensures no discrimination of gender, ethnic origin, religion and age, in order to ensure the human rights protection of all employees.

### 2. Labour and Social Security

We have established a labour union to protect the legitimate rights and interests of employees and serve them. We allow workers' representatives to be elected and hold workers' congresses in accordance with democratic procedures to give full play to the democratic management functions of workers over enterprises. We have formulated the *Employee Handbook* according to the prevailing law, and continuously improve the labour contract system to guarantee the basic rights and interests of employees. We always sign labour contracts with employees on an equal footing after consultation guided by the principles of legality, fairness and good faith, and that clearly indicate the rights and obligations of both parties, information about salary and dismissal, recruitment and promotion, working hours and leave arrangements in the contract, to properly protect and safeguard the lawful rights and interests of employees.



<b>Employee Profile by Gender</b>	
<b>Male</b>	977
<b>Female</b>	228
<b>Total</b>	<b>1,205</b>

<b>Employee Profile by Age</b>	
<b>Below 25 years</b>	86
<b>25 to 34 years</b>	436
<b>35 to 44 years</b>	320
<b>45 to 54 years</b>	305
<b>55 years and above</b>	58
<b>Total</b>	<b>1,205</b>

<b>Employee Profile by Job Function</b>	
<b>Management and Supervisory</b>	499
<b>General Worker</b>	706
<b>Total</b>	<b>1,205</b>

<b>Administrative Employee Profile by Academic Qualification</b>	
<b>Post-graduate degree</b>	16
<b>Bachelor degree</b>	159
<b>Others</b>	314
<b>Total</b>	<b>489</b>

Note: The employee statistics exclude the Manufacturing and Services business segment following its divestment.

## Contribution to Society

In the course of its rapid growth, Sunpower Group remains committed to the values of giving back to society, genuine care for society and public welfare, and realising the integration of corporate value and social value. Amidst the pandemic, the Group and its subsidiaries fully cooperate with the government's pandemic prevention policies and actively donate pandemic prevention materials. Its donations of materials are recognized by the local government. Every year, the subsidiaries organize visits to local firefighters and donate drinks to them during the hot summer. In addition, the Group pays regular visits to lonely old people in the area as well as donate funds to the education foundation to help students from poor families realize their dreams of study. The Group also actively carries out environmental protection volunteer activities to contribute to the local environmental protection cause. During the local flood disaster, Sunpower Group actively responded to the call of the government and did its best to invest manpower, equipment and materials to fight the disaster.



In the future, Sunpower will continue with its public welfare and charity activities as a long-term undertaking, translating its bright spirit into practical action. In addition to contributing to the social security and provident fund for employees, the Group also purchase transportation and medical commercial insurance for employees to provide them with all-round protection that frees them from worries.

## Training and Education

Sunpower attaches great importance to the training of professionals, and actively invests resources in various job training programs to assist employees receive skills training to improve their skills and professional knowledge. In 2021, we specially developed targeted training programs for employees in different posts.

To meet the training needs of employees, we formulated the *Employee Training Management System* to provide corresponding training and continuous guidance for every employee to help them achieve their personal development goals. Sunpower also encourages employees to explore related learning opportunities for capacity building according to their own development needs in conjunction with the business needs of the Company, and supports and encourages employees to improve their level of academic qualifications to promote self-growth.

In 2021, Sunpower continued to carry out knowledge-based training by conducting lectures, covering machinery, furnace, electricity, thermal control, chemistry, fuel and other majors, that provided professional knowledge to improve the skill level of the production staff of each subsidiary.

For example, Changrun project carried out a specialised training program emphasizing "one specialty, multiple abilities" which opened up a new chapter of development for centralized control duty staff to develop more practical skills in addition to their specialty.

Additionally, the company keeps up with key policy trends by inviting external experts to carry out training to relevant staff. In May 2021, it invited government personnel and external experts to carry out training on carbon market trading and emission data verification. This enhanced the staff's understanding and laid a good foundation to develop and strengthen the management of carbon assets and carbon trading within the group.

In 2021, Sunpower also hired 10 technicians group-wide, with work responsibilities covering machinery, furnace, electricity, chemical, maintenance and other professional areas following a rigorous selection process which featured several rounds of written examination, oral defences and comprehensive evaluation.

In 2021, Sunpower held the Electric Heating Skills Competition, which saw maintenance experts from all the project companies gather in Nanjing. This strengthens the company's ability to cultivate teams of highly-skilled talents, and enhanced the enthusiasm of all staff to improve their skills and put them into practice. By creating a good atmosphere for "comparing, learning, catching-up, assisting and surpassing", this initiative also provided the technical personnel from the different project companies with a platform to learn from each other, exchange techniques and demonstrate skills so that they can improve on their maintenance and repair work for their respective units and equipment.



## Corporate Culture

Sunpower Group adheres to its corporate culture of pragmatism, innovation, efficiency and harmony. After a development journey of more than 20 years, Sunpower reapplies old wisdoms, pursues balance in management, and strives to create a corporate culture model with modern management methods and features mentoring, cooperation, value enhancement and responsibility.

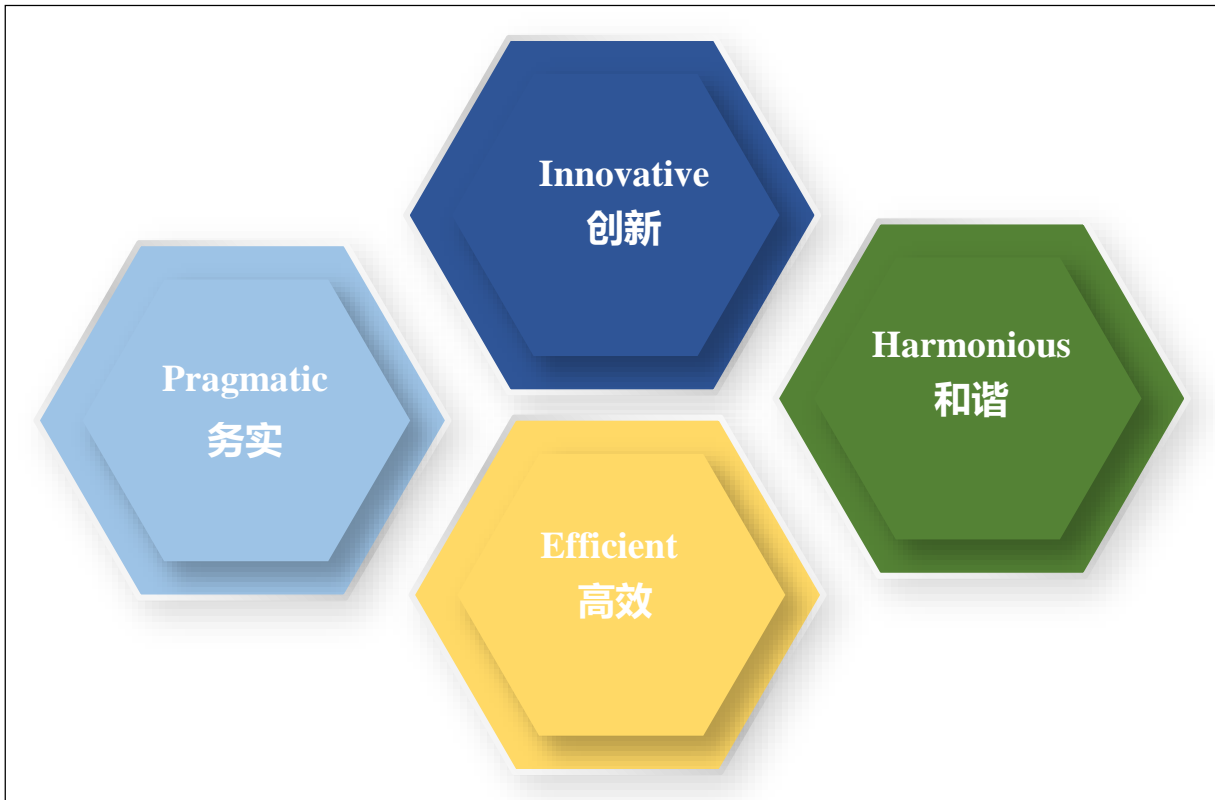
**A culture of cooperation and mentoring:** Sunpower highly advocates a teamwork culture – concentrating on the inheritance of traditional culture to integrate the idea of mentoring and apprenticeship into modern enterprise management practices, and innovating the use of the mentoring training system and giving prominent roles to veterans to promote mutual learning between new employees and veterans, so that veteran employees gain new insights by revisiting the old and new employees can grow while learning. This mentoring and tutoring system, which has been established and implemented, enables people to adapt to their posts quickly and ensures the quick passing-on of internal knowledge and skills.

The implementation of mentoring and tutoring systems not only helps new employees quickly break down barriers and integrate into the enterprise, but also realises the standardised duplication of production technology, working methods and cultural concepts, as well as creates a good interpersonal relationship and cultural atmosphere.

**A culture of value enhancement:** Sunpower encourages employees to pursue new peaks in their careers, strengthen a sense of direction in their development, and improve development channels; to implement internal examinations for fixed-post front-line technical and operational personnel in order to open up promotion channels and stabilise the technical teams; to implement a technician appointment system that singles out the top theoretical and practical technical talents in order to gradually form a team of technical experts; to implement an internal job rotation, competition and assignment system for management personnel that acts as a platform and opportunities to identify the management ability, professional ability and professional quality of staff. Sunpower continues to create a harmonious environment for employees to grow and achieve together with the enterprise, and maximize the value of employees and enterprise.

**A culture of accountability:** “The ideal is to be like water; with great virtue, one can reach the highest peak of moral character.” Through practical actions, Sunpower people achieve the harmonious development of enterprise, society and environment. Over the years, they have made outstanding contributions to employment and poverty alleviation, education, earthquake relief and assistance to vulnerable groups, and have been commended by governments at all levels, civil affairs departments and charity organisations.

Over many years of development, based on the business concept of creating a circular economy energy island with Sunpower characteristics, to provide multiple energy sources for a new type of modern industrial park integrated regional circular economy and comprehensive energy cascade utilisation; Sunpower constantly upholds the values of “pragmatism, innovation, efficiency and harmony”, and strives to achieve the corporate vision of “employee satisfaction, customer satisfaction, shareholder satisfaction, and social respect”.



## Team Building

Team-building activities enable employees to work together more effectively. They allow employees to see that everyone has different skills and approaches to solving problems. Such knowledge can then be transferred to the work environment, as everyone will have learnt how to best use each other's talents and abilities. Through participating in fun activities, our employees will get to know and understand each other better, and break through the barrier of trust by encouraging employees to focus on what they have in common rather than their differences. We regularly organise activities among employees to further enhance their sense of belonging to the company.

In 2021, Sunpower Group and the project companies arranged more than 60 corporate cultural activities, such as mountaineering, cross-country racing, badminton, table tennis, billiards and other fun games. Through hard work and sweat, every member of Sunpower embodied the fighting spirit of never giving in to difficulties. Festivals such as the Lantern Festival, Women's Day, Dragon Boat Festival and Mid-Autumn Festival create a strong festive atmosphere, drawing the hearts of Sunpower people closer in the process.





## SUSTAINABLE DEVELOPMENT



**A new start on a journey into a new era of energy development in China.** In 2022, we will continue our journey to contribute to the high-quality development of the China clean energy and environmental industries, with full confidence in the goals of the national 14th Five-Year Plan. Sunpower's GI projects will remain focused on supplying clean industrial steam to enterprises, civil heating to households within their coverage areas, and electricity to the state grid.

We will continue to strive to build Sunpower into a leading provider of clean industrial steam in China, and contribute to the development of a green, low-carbon, safe and efficient national energy system. Sunpower is steadily expanding the GI business by leveraging on its robust and replicable business model with unique competitive edge to unlock the long-term growth potential. Within 5 years from the maiden financial contribution of the GI business in FY2017, Sunpower has scaled up to 10 projects in operation and 1 under construction with a proven track record, a leading market position and strong brand equity.

Our GI projects use innovative integrated environmental protection technologies to facilitate the development of the circular economy and help China attain its goals of carbon peak and carbon neutrality. In 2022, we will continue to focus on R&D, and align with the national dual-carbon policy. Reducing carbon emissions while conserving energy leads to long-term emission benefits, which adds impetus to the sustainable development of the Group.

## Supply Chain Management

Sunpower has established a procurement information management system to share supplier information between the Group and its subsidiaries, and sets up a supplier database to implement unified management of suppliers.



Sunpower has also drafted Punishment Mechanism for Suppliers with unethical or illegal behaviour, which clearly defines the identification process for such suppliers. In accordance with the mechanism, suppliers with dishonest conduct in bidding activities and contract performance will be included into the dishonest supplier database, and suppliers who exhibit unethical or illegal behaviour shall be prohibited from winning any contract bid from the Group within a specified time. In addition, suppliers who enter into bids are required to furnish documentary evidence that they are free of any involvement in bribery cases and submit a statutory declaration that all bid documents and information provided are true. Bidders must also comply with relevant national laws and regulations in bidding activities, and shall not offer commercial bribery of any kind. Sunpower regularly assesses and evaluates its suppliers in terms of production quality, after-sales service, project safety, environmental protection.

## Quality Management

Quality management plays a crucial role in our growth and performance. Since inception, we have placed great emphasis on quality and consider quality management as an integral part of our business operations. We ensure the stable operation of our production equipment by operating in strict accordance with the established procedures and regulations so that we may provide products that meet the needs of our users. The Group's downstream steam users cover multiple industries with different requirements for steam pressure and temperature, and thus we adapt steam products to the different requirements of the customers.



## Economic Performance<sup>10</sup>

A company's financial capital and market performance depend on its ability to create a competitive edge and generate tangible value for its shareholders, customers, employees and society. Sustaining healthy profits also stems from intangible assets such as professional management, extensive experience, organisational excellence, brand equity, environmental management and human capital.

In 2021, the GI business results were resilient despite cost pressures on the production operations of the GI projects caused by an extraordinary and exceptional surge in feedstock price amidst the across-the-board uptrend in commodity prices. The GI business saw robust demand for industrial steam throughout the year. Total steam sales volume grew 45.2% YoY to a record high of 7.93 million tons, a firm testament to its leading position as an industrial steam supplier in China.

As a result, GI recurring revenue grew 53.3% YoY to RMB2,047.3 million<sup>11</sup>. GI recurring EBITDA remained robust at RMB466.2 million<sup>12</sup> while GI recurring PATMI stayed positive at RMB135.7 million<sup>13</sup> due to the Group's strong operational management capabilities, implementation of mitigation measures and the price formation mechanism that links the cost of feedstock to the price of steam.

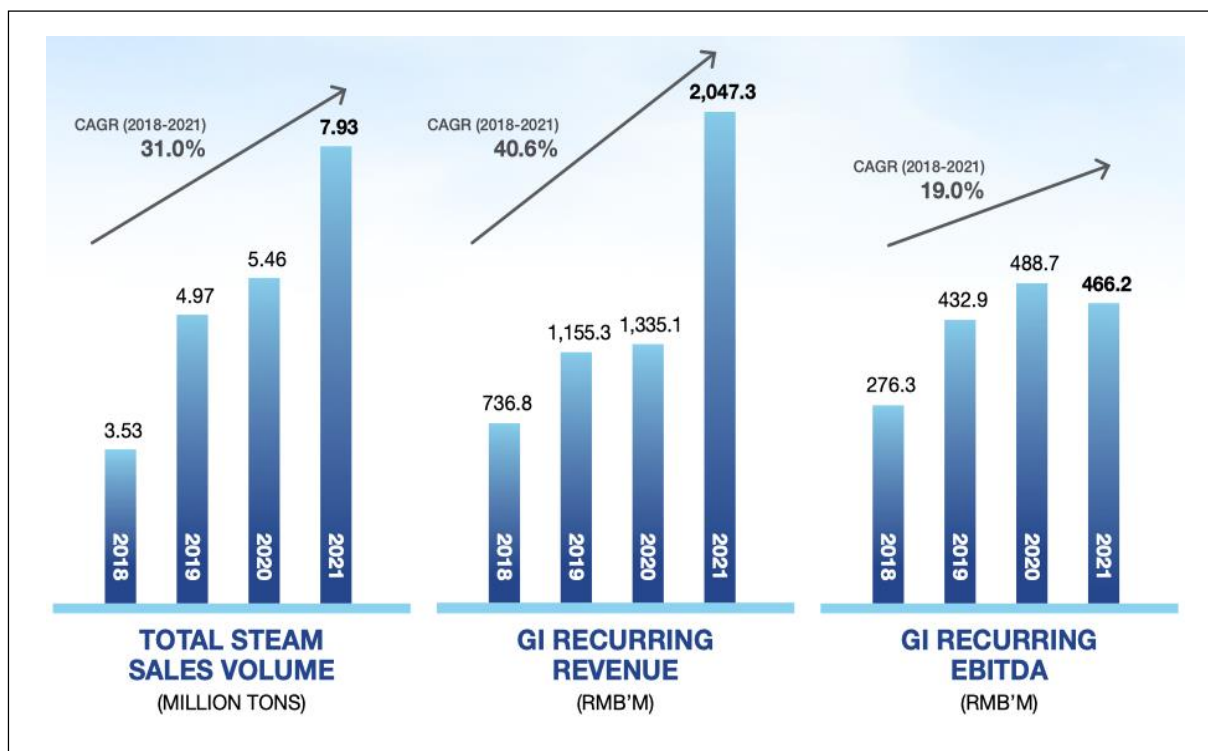
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<sup>10</sup> The Company uses the terms "GI recurring revenue", "GI recurring EBITDA", "GI recurring PATMI", and "GI operating cashflow" to reflect the operating results of the GI business. The financial data in the Sustainability Report should be read in conjunction with the Annual Report 2021 released on 5 April 2022.

<sup>11</sup> GI recurring revenue refers to recurring revenue generated by the GI business. It excludes one-time contributions from internal EPC services for BOT projects that are provided by the Group's internal project management department, recognised in accordance with IFRIC 12 Service Concession Arrangements.

<sup>12</sup> GI recurring EBITDA refers to the recurring Earnings before Interest, Tax, Depreciation and Amortisation of the GI Business. It excludes gains or costs incurred by way of the M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc.; one-time contributions from internal EPC services for BOT projects that are provided by the Group's internal project management department, recognised under IFRIC 12 Service Concession Arrangements; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the operating results of the GI business.

<sup>13</sup> GI recurring PATMI refers to the recurring Profit after Tax and Minority Interests of the GI Business. It excludes gains or costs incurred by way of the M&S disposal such as excess cash dividends, gain on disposal, withholding tax, etc.; one-time revenue contributions from internal EPC services for BOT projects that are provided by the Group's internal project management department, recognised under IFRIC 12 Service Concession Arrangements; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the profit of GI business attributable to the Group.



Including the substantial gain on disposal recorded and expenses incurred by the Company in connection with the disposal<sup>14</sup>, Group PATMI without the financial effects of Convertible Bonds (CBs) was RMB435.8 million in 2021. Excluding these items, Group PATMI without the financial effects of CBs in FY2021 was RMB154.8 million, which reflects the operating results of the Group. Group underlying operating cash flow was a robust RMB244.3 million<sup>15</sup> in 2021.

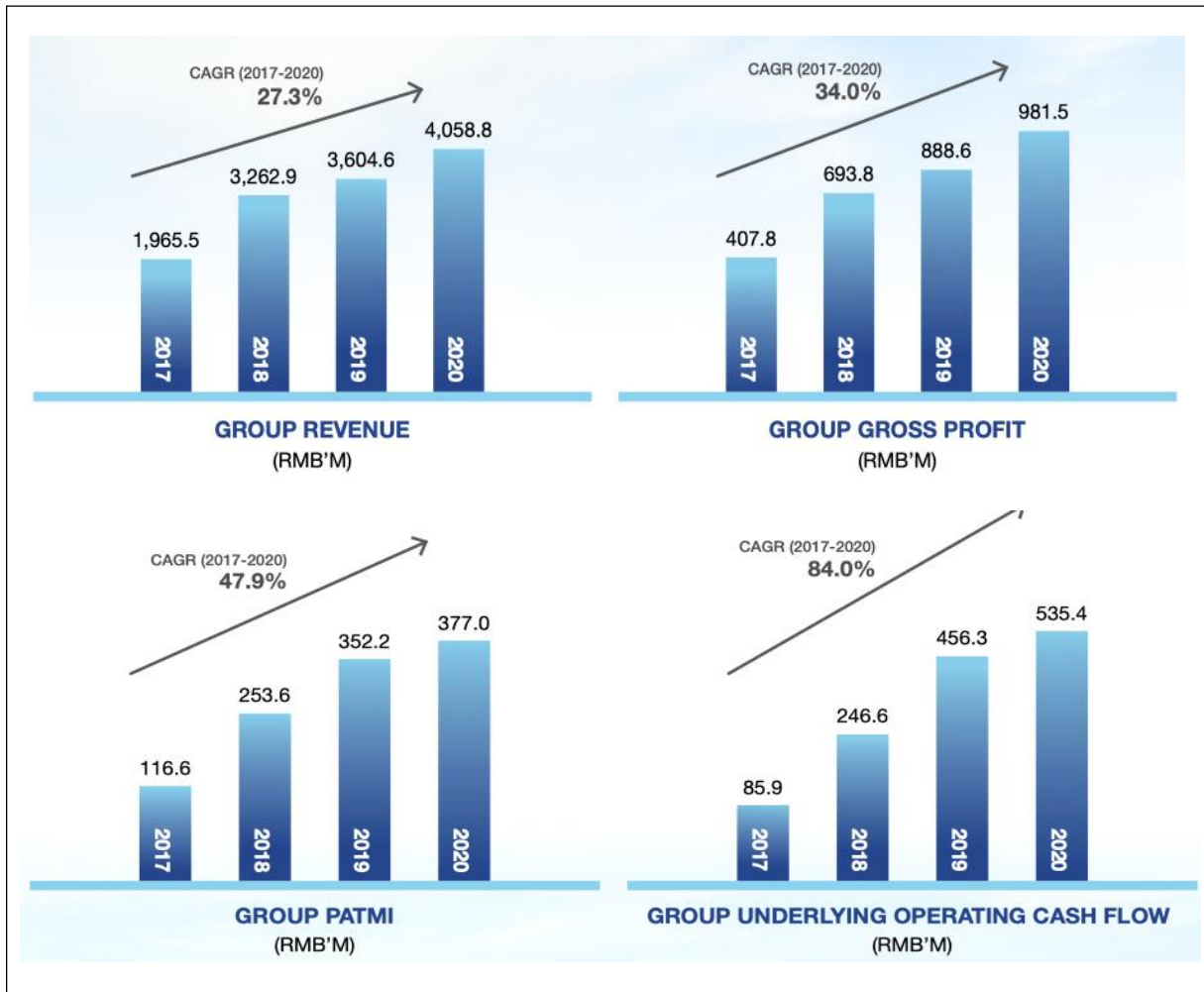
	(RMB'million)
<b>2021 Group revenue</b>	<b>3,458.9</b>
<b>2021 Group gross profit</b>	<b>470.9</b>
<b>2021 Group PATMI</b>	<b>435.8</b>
<b>2021 Group underlying operating cashflow</b>	<b>244.3</b>

Note: The M&S business was deconsolidated on 30 April 2021 following its disposal, hence the M&S business contributed 4 months to the group financial results in 2021 vs 12 months in 2020. As a result, the group's financial results are not directly comparable.

<sup>14</sup> Expenses include the excess cash dividend paid to Convertible Bond holders which is recognised as finance cost, project adviser fees and withholding taxes.

<sup>15</sup> Group underlying operating cash flow excludes CB interest paid annually. The group underlying operating cashflow in 2021 excluded CB interest of RMB21.0 million.

Historical Yearly Financial Highlights (RMB million)



Note: The 2017-2020 financial figures are before the disposal of the M&S business.

## Customer Satisfaction

Customer satisfaction mainly depends on the quality and reliability of the products and services provided by Sunpower. Customer feedback is an important way to know the needs of key stakeholders. Through the feedback, we are kept informed on what improvements are required to be made, so as to streamline internal work processes, and improve quality management and service quality. Fair dealing with customers is a basic business principle we always adhere to. Feedback from customers and other related parties generally include: inquiries, complaints, compliments or suggestions, etc.



We ensure that complaints from customers and other related parties are handled professionally, fairly, promptly and responsibly, and that our decisions are clearly communicated to our customers. We endeavor to exceed our customers' expectations, comply with all applicable laws and continuously improve our performance.

In addition, our service quality has been strongly endorsed and praised by customers. In 2021, we received no complaints due to product quality that did not meet user requirements.



## ABOUT THIS REPORT

Sustainability has become a critical factor for companies to ensure successful long-term value creation. Our Group recognises the importance of creating a virtuous cycle of continuously improving sustainability reporting. We hereby proudly present our Sustainability Report which discusses the challenges and material issues that are important to our stakeholders, our strategy in managing these challenges and issues, and how we have performed in terms of our key performance indicators.

We have adopted a formalised reporting approach to prepare our sustainability report. We applied the Global Reporting Initiative (“GRI”) Standards, the internationally-known reporting framework, specifically Core Options, the latest set of standards issued by the GRI Global Sustainability Standards Board and comply with the requirements of SGX-ST Listing Rules – Sustainability Reporting Guide when prepare this report.

Information presented in the report has been extracted from primarily internal records and documents to ensure accuracy using internationally accepted measurement data units.

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### Reporting Boundaries & Standards

**This Sustainability Report covers the company’s strategies, initiatives and performance in relation to Environmental, Social and Governance issues. All data, statistics and improvement targets are in relation to the Group’s operations in China.**

### Report Period and Scope

This report covers the Group’s operations in China for financial year from 1 January 2021 to 31 December 2021 (“FY2021”).

### Accessibility & Feedback

We are fully committed to listening to our stakeholders and we welcome feedback on this report and any aspect of our sustainability performance. Please address all feedback to [ir@sunpowergroup.com.cn](mailto:ir@sunpowergroup.com.cn)

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## GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Reporting Standard & Practice	Page Reference and Reasons for Omission, if applicable
<b>GENERAL DISCLOSURE</b>	
<b>Organisational Profile</b>	
102-1 Name of the organisation	1
102-2 Activities, brands, products, and services	1
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102-4 Location of operations	1
102-5 Ownership and legal form	1
102-6 Markets served	1
102-7 Scale of the organisation	1
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102-9 Supply chain	49
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102-12 External initiatives	NIL
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<b>Strategy</b>	
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<b>GRI Reporting Standard &amp; Practice</b>	<b>Page Reference and Reasons for Omission, if applicable</b>
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<b>102-49 Changes in reporting</b>	NIL
<b>102-50 Reporting period</b>	55
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<b>102-52 Reporting cycle</b>	55
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<b>406-1 Incidents of discrimination and corrective actions taken</b>	<b>NIL</b>
<b>416-2 Incidents of non-compliance concerning the health and safety impacts of products and services</b>	<b>NIL</b>

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Be the  
**Solution**  
Not the  
**Pollution**

**Sunpower Group Ltd.**

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