

BE <sup>the</sup> **Solution**  
NOT <sup>the</sup> Pollution



Sunpower Group



Sustainability Report 2019

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## ABOUT SUNPOWER

### Organisation Profile

Founded in 1997 and listed on the Singapore Exchange (“SGX-ST”) since 2005, Sunpower Group Ltd (“Sunpower”) is an environmental protection solutions specialist with over 20 years of experience in providing environmental protection and energy-saving solutions. Headquartered at No. 2111 Chengxin Road, Nanjing Jiangning Science Park, Nanjing, Jiangsu Province, 211112, People’s Republic of China, Sunpower has two main business segments - Green Investments (“GI”) and Manufacturing & Services (“M&S”).

The GI segment, which is Sunpower’s primary value creator and growth driver that generates long-term high-quality recurring income and cash flows, invests in, develops and operates centralised steam, heat and electricity generation plants. It is well-positioned to capture the enormous potential of China’s anti-smog sector through these environmentally-friendly centralised plants that supply steam to industrial parks, heating to residential households and sell electricity to the State Grid on long-term exclusive supply concessions. Sunpower is building a valuable portfolio of GI projects that generate attractive double-digit IRRs and a high Net Present Value (NPV) of future cashflows.

Focusing on the high-end market and servicing reputable customers, Sunpower’s M&S segment has delivered superior quality products and solutions to ~1,500 customers in a wide range of industries across 30 countries to date. Sunpower’s large base of reputable customers includes BASF, BP, Shell, China National Offshore Oil Corporation (CNOOC), China National Petroleum Corporation (CNPC), China Petrochemical Corporation (SINOPEC), Wanhua Chemical and Hengli Petrochemical. ~70% of its customer base are repeat customers.

### Global Footprint



## Our Honours and Awards

<i>Year</i>	<i>Awards</i>
<b>2019</b>	<ul style="list-style-type: none"> <li>- Sunpower ranked among Top 500 Energy Groups of China</li> <li>- Deloitte Best Managed Companies award in China</li> <li>- Chairman Guo Hong Xin elected Pioneer of New Era in Nanjing</li> <li>- Five-star Grassroots CPC Organisation in Jiangning High-Tech Zone</li> <li>- Jiangning District's Excellent Organisation Prize for Learning to Strengthen Nation</li> <li>- Zero Liquid Discharge of High Salinity Industrial Wastewater listed as "Excellent Project in Environmental Protection Industry" (Sunpower)</li> <li>- Sunpower's high-efficiency heat transfer and energy-saving equipment certified as Famous Product of Jiangsu province and Nanjing (Sunpower Pressure Vessels)</li> <li>- Sunpower's "Three Rules for Industrial Workers" awarded the second Innovation Prize for Trade Union Work of Nanjing's Jiangning District in 2018</li> <li>- "Energy-Saving Immersion Combustion Gasifier" won the title of "Innovative Product of Environmental Protection Industry" (Sunpower Pressure Vessels)</li> <li>- Sunpower Pressure Vessels won third prize in 2019 Nanjing Welder Skill Competition Finals</li> <li>- Sunpower Pressure Vessels selected as "Gazelle Enterprise in South Jiangsu National Independent Innovation Demonstration Zone"</li> <li>- 2019 Nanjing Innovative Product: High-efficiency recondenser (Sunpower Pressure Vessels)</li> <li>- 2019 Nanjing Innovative Product: High-efficiency, low pollution, low pressure flare gas burning device (Sunpower High-Tech)</li> <li>- Title of "2019 Provincial-level Specialized, Proficient, Unique, New Little Giant" (Sunpower Pipe-Line)</li> <li>- Sunpower Pipe-Line received certification by "Jiangsu Provincial Enterprise Technical Centre"</li> <li>- 2019 Nanjing Innovative Product: Low-energy consumption, long-distance steam distribution device (piping project)</li> <li>- Included in the Jiangsu Province energy-saving technology product promotion catalogue: Technology to remove non-ferrous smoke plume through in-depth use of waste heat in industrial flue gas (Shengnuo Heat Pipe)</li> <li>- Water-Saving Enterprise (Quanjiao Sunpower)</li> </ul>

	<ul style="list-style-type: none"> <li>- High Growth and Innovation Enterprises of South Jiangsu</li> <li>- Jiangsu Outstanding Entrepreneur</li> </ul>
<b>2018</b>	<ul style="list-style-type: none"> <li>- China Petrochemical Group Science and Technology Progress Award from China Petrochemical Corporation</li> <li>- Science and Technology Progress Award from the Ministry of Education</li> <li>- Ernst &amp; Young Entrepreneur of the Year Award 2018™ China</li> </ul>
<b>2017</b>	<ul style="list-style-type: none"> <li>- National Quality Engineering Award (Gold) from China Association of Construction Enterprise Management</li> <li>- Jiangsu Famous Export Brand from Department of Commerce, Jiangsu Province</li> <li>- Nanjing Science and Technology Progress Award (First Prize) from Nanjing Government</li> <li>- Top 100 Suppliers in the Petrochemical Industry of China</li> <li>- Science and Technology Progress Award from China Petroleum and Chemical Industry Association</li> </ul>
<b>2016</b>	<ul style="list-style-type: none"> <li>- Jiangsu Top 100 Innovative Enterprises from Jiangsu Science &amp; Technology Department</li> <li>- Nanjing Science and Technology Progress Award from Nanjing Government</li> <li>- High Quality Engineering Award from China Petrochemical Corporation</li> <li>- Strategic Supplier Award from Wanhua Chemical Group</li> </ul>
<b>2015</b>	<ul style="list-style-type: none"> <li>- China Petrochemical Group Science and Technology Progress Award from China Petrochemical Corporation</li> </ul>
<b>2014</b>	<ul style="list-style-type: none"> <li>- Jiangsu Famous Brand Certificate from Jiangsu Province Brand Strategy Promotion Committee</li> </ul>
<b>2013</b>	<ul style="list-style-type: none"> <li>- 2013 China's National Equipment Top Hundred Enterprises, and China's Top 10 Chemical Heat Transfer Equipment Enterprises from China Petroleum and Chemical Industry Federation</li> <li>- Flare-gas recovery system designated as "2013 China's Key National Product"</li> </ul>
<b>2012</b>	<ul style="list-style-type: none"> <li>- National Torch Plan High/New Technology Enterprise from the Ministry of Science and Technology, People's Republic of China ("PRC")</li> <li>- China Renowned Trademark from the Trademark Office, State Administration for Industry &amp; Commerce, PRC</li> </ul>
<b>2010</b>	<ul style="list-style-type: none"> <li>- Technology Innovation Achievement Award from China Association for Quality</li> </ul>
<b>Before 2010</b>	<ul style="list-style-type: none"> <li>- Deloitte Technology Fast 500, Stellar Performance</li> </ul>



Our Accreditations



Technology Research Institute for Industrial Energy Saving

Postdoctoral Programme

Working Group on Thermal Pile of National Technical Committee 223

Nanjing Permafrost Engineering Center

Jiangsu Province, Enterprise Technology Center

Jiangsu Province, Enterprise Academician Workstation

Jiangsu Engineering Research Center for Energy Saving

Nanjing City Certified, Enterprise Technology Center

## Membership of Associations

To further the sustainability cause, Sunpower's senior management is represented on various industry bodies and civil society organisations.

No.	Name of Association	Role or position
1	China Power Development Promotion Association Renewable Energy Generation Conference	Member
2	China Petroleum and Chemical Industry Federation	Member
3	China Non-Ferrous Metals Industry Association Titanium Zirconium & Hafnium Branch	Member
4	PetroChina And Chemical Industry Reconnaissance Design Association	Member
5	China Chemical Industrial Equipment Association	Sunpower is the Executive member of the Association, which is responsible for the discussion and review of new standards
6	Energy Research and Utilisation	Guo Hong Xin, Director
7	Jiangsu Petrochemical Equipment Industry Association	Guo Hong Xin, Vice President
8	Shandong Province Electric Power Enterprise Association	Member
9	Jiangsu Environmental Protection Industry Network	Member
10	Jiangsu Association of Science & Technology Innovation	Member
11	Jiangsu Enterprise Research and Development Organisation Promotion Association	Member of the Association
12	Nanjing Environment Protection Industry Association	Member





## Chairman's Message

Dear Stakeholders,

On behalf of the Board of Directors of Sunpower Group and our entire global workforce, I am pleased to present our updated Sustainability Report for the financial year ended 31 December 2019, the third report since we first released our sustainability vision and plan. Over this period, our business has grown significantly while our dedication to sustainable practices and environmental solutions continues to remain strong to this day. I am proud of our track record in managing risk, maximising efficiency and ensuring that everyone in Sunpower's ecosystem understands the importance of operating as a responsible citizen of the world.

More than ever, sustainability has become the most important factor behind our motivation to create value. This year, Sunpower's senior leadership called upon internal divisions to nominate key representatives to form Sunpower's sustainability management committee. It brought together executives from across the company to share best practices, overcome challenges and implement projects that propel our progress. They then drummed home the message in their respective divisions, departments and teams that sustainability belongs to everyone, and that we are all expected to do our part to make our company, customers, partners and communities sustainably stronger.

We at Sunpower are more aware than anyone of the importance of sustainability improvement and reporting. Since our founding in 1997, our mission has been “to shape a green future” as an environmental protection specialist providing energy-saving and clean power solutions, well before climate change rose to the top of the national agenda for China. Through our GI business, we are actively involved in helping China fight a major source of air pollution – by eliminating the use of non-centralised small-scale high-emission (“dirty”) boilers by factories to generate steam, power and heat in favour of the centralised large-scale low-emission facilities owned and operated by Sunpower that can achieve ultra-low emissions comparable to natural gas but at a much lower cost. GI has enormous potential to grow further as demand is structurally driven by anti-air pollution policies that mandate the closures of small dirty boilers, customers’ continuing organic growth and the relocation of new companies into industrial parks served by our centralised GI plants. As at the end of 2019, we have eight GI plants in operation, one plant in trial production and two plants under construction, up from just four operating plants in 2017 when GI first began to contribute to our financial results.

At the same time, we are gratified that the “green” vision and direction of the company have been borne out through the successful economic performance of the Group. In FY2019, we reported a 31.5% year-on-year (“YoY”) increase in group underlying net profit attributable to equity holders<sup>1</sup> to RMB352.2 million while group underlying operating cashflow increased 8.4% YoY to RMB267.3 million, supported by a 4.4 percentage point improvement YoY in EBITDA margin to 19.6% as both the GI and M&S key business segments performed well. We have invested and committed RMB1.7 billion in project equity to build up our GI portfolio to-date, and are progressing well towards our target to invest RMB2.5 billion in project equity by 2021.

But even as Sunpower expands the scale, scope and reach of our business, we have stayed true to our vision of “bringing back blue” to China’s skies. To-date, Sunpower’s GI portfolio of GI projects has enabled the shutting down closure of more than 300 highly-pollutive, high -energy-consuming coal-fired boilers, and the reduction of annual pollutive emissions by more than 50,000 tons a year. The expansion of the GI asset portfolio has always gone beyond investing based on financial criteria alone. We acquire or invest in GI plants simply because we believe we are one of the best companies to run them sustainably. For instance, we always upgrade the plants we acquire to be cleaner and more efficient, as we have done did in FY2019 with Yongxing Plant (acquired in FY2018) and as we are now doing the same with Suyuan Plant (acquired in FY2019). Through the Circular Economy zero-waste

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<sup>1</sup> Underlying net profit attributable to equity holders is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of Convertible Bonds and Warrants) for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

model, we have also kept pushing forward with innovations such as the successful implementation of the sludge incineration process treatment program in Changrun Project which uses the waste output of the adjacent waste- water treatment plant as a fuel substitute, thus preventing sludge from polluting the natural environment and lowering our operating costs at the same time.

As you read the rest of this report, I thank you for your interest in our company and taking this sustainability journey with us while allowing us to share our investment journey. Sunpower is always working hard to safeguard the common future and welfare of ourselves, our customers, our suppliers and most importantly, our children.

**Guo Hong Xin**

**Executive Chairman**

## Sustainability Approach

The Company continued to uphold the core values of quality, reliability, leadership, trust and respect, commitment and accountability, pragmatism, innovation, efficiency and harmony in its two business segments, M&S and GI, to achieve the sustainable development of the economy, society and environment.

The main areas of focus are:

- Conserve the environment by optimising consumption and management of energy and water
- Protect the rights, health and safety of stakeholders
- Create a fair development environment for employees and promote their growth with respect
- Create value for the community by promoting community development
- Encourage and promote the sustainable development of partners



## Corporate Governance

The Group has been listed in Singapore since 2015 and has established a very mature 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 win-win 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 frameworks. 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 on all employees and they are expected to conduct themselves in accordance with the expectations set out in the 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 will enhance our business relationships and our corporate social responsibility.

We will continually do our utmost to ensure that business operations and processes are managed in a way that minimises their impact on the environment. In line with our determination to commit to a high standard of corporate governance, we have established policies for issues such as Anti-Corruption, Conflict of Interest, Insider Trading, Fraud and Whistleblowing. We have set a strong tone of zero tolerance towards dishonesty and corrupt practices. During the year, there were no legal cases regarding corrupt practices brought against the Group or our people.

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 Audit Committee (AC) before the commencement of work each year. Additionally, in 2019 a professional service firm, Jiangsu Jinling Science and Technology Group Limited (the "JSC") was engaged to carry out a review of cybersecurity risks for the Group.

In addition, Sunpower has engaged Deloitte & Touche LLP as external auditors of the Group.

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

For further details on Corporate Governance, please refer to Sunpower's 2019 Annual Report.

**BOARD OF DIRECTORS**

Guo Hong Xin (Executive Chairman)  
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 Director)  
Liu Haifeng David (Non-Executive Director)

**AUDIT COMMITTEE**

Chin Sek Peng (Chairman)  
Lau Ping Sum Pearce  
Yang Zheng

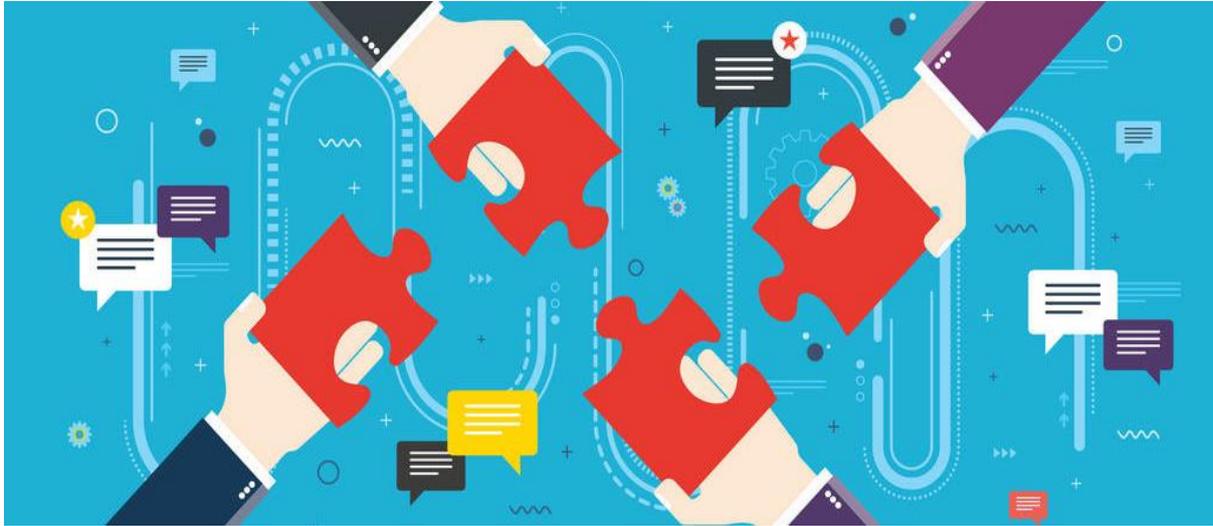
**NOMINATING COMMITTEE**

Wang Dao Fu (Chairman)  
Guo Hong Xin  
Lau Ping Sum Pearce  
Chin Sek Peng  
Li Lei  
Liu Haifeng David  
Yang Zheng

**REMUNERATION COMMITTEE**

Lau Ping Sum Pearce (Chairman)  
Chin Sek Peng  
Li Lei  
Liu Haifeng David  
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.

<i><b>Stakeholder Group</b></i>	<i><b>Engagement Activities</b></i>	<i><b>Stakeholders' Expectations</b></i>
<i><b>Investors &amp; Shareholders</b></i>	<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>
<i><b>Government &amp; Regulations</b></i>	<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>
<i><b>Customers</b></i>	<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>

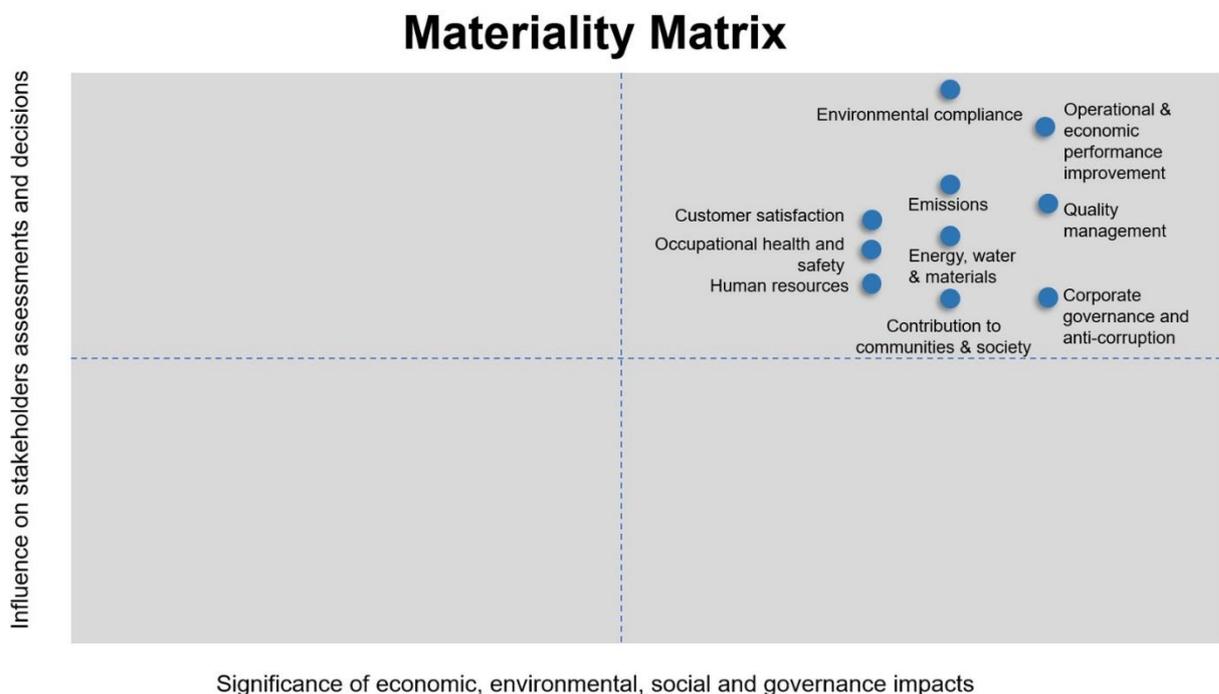
<b>Stakeholder Group</b>	<b>Engagement Activities</b>	<b>Stakeholders' Expectations</b>
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Understand the employees' career development direction</li> <li>- Conduct pre-post and on-job training, and mentoring system</li> <li>- Fair performance appraisal, 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>- Provide employment opportunities for the disabled</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>- Compliance with regulations</li> <li>- Local support</li> <li>- Care for the disabled</li> </ul>

<i>Stakeholder Group</i>	<i>Engagement Activities</i>	<i>Stakeholders' Expectations</i>
<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 form 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 knowledge of the topics that are of greatest interest to our stakeholders, so that our sustainability reporting can reveal the most relevant information.

Based on feedback gathered from our stakeholders, this year we have fine-tuned the scope of the factors that are material to the organisation and stakeholders in 2019, 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 high in priority at the minimum.



The materiality assessment is endorsed by the management committee. We review our material topics every year following new stakeholder feedback 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>Reduce emissions and wastage</b> within the organisation as well as among our customers and supply chain by ensuring that products supplied by us are produced using environmentally-clean methods, and that there is zero wastage within the supply chain</li> <li>- One example is our <b>Circular Economy zero-waste model</b> in which we convert our waste outputs into feedstock input useable by other local industries, and adapt our production processes to accept waste outputs from other industries as feedstock inputs</li> <li>- <b>Manage risks and maximise opportunities</b> related to <b>climate change</b>, including changes in government policies such as the 2013 Air Pollution Prevention Action Plan, the 2018 Three-year Action Plan for Winning the Blue Sky War, other environmental compliance regulations, combustion-related facility efficiency regulations, industrial zoning regulations, etc</li> </ul>
2	Operational & economic performance and improvement	<ul style="list-style-type: none"> <li>- Leverage strong economic performance to provide <b>positive economic value and impact</b> for all relevant stakeholders at all levels (e.g. employees, local communities, suppliers and governments)</li> <li>- Examples include <b>supporting the communities</b> that Sunpower operates in through local hiring, procurement practices and tax payments</li> </ul>
3	Emissions	<ul style="list-style-type: none"> <li>- Continuously fulfil our mission to <b>bring back blue skies to China</b> by capitalising on our management expertise, core technologies and capital to contribute towards China’s mission of protecting and restoring the environment</li> </ul>

		<ul style="list-style-type: none"> <li>- Actively <b>reduce emissions</b> from our manufacturing activities, particularly three key air pollutants - sulphur dioxide, nitrogen oxide and particulate matter</li> </ul>
4	Energy, water & materials	<ul style="list-style-type: none"> <li>- Continuously <b>reduce our energy, resources and materials consumption</b> through the active development and implementation of conservation measures</li> <li>- <b>Reduce water consumption</b>, particularly the use of recycled and treated water; ensure collection, disposal and recovery of waste water discharged from all activities and prevent degradation, contamination or other negative effects on local water sources</li> <li>- Adopt and enforce a <b>no-conflict policy</b> in our <b>materials procurement</b> processes especially for minerals</li> </ul>
5	Corporate governance and anti-corruption	<ul style="list-style-type: none"> <li>- Stay abreast of the latest developments on the relevant code of <b>corporate governance</b>, and educate and uphold good corporate governance practices at all levels of the organisation</li> </ul>
6	Customer satisfaction	<ul style="list-style-type: none"> <li>- Build the foundation for our long-term success by <b>meeting and surpassing customer expectations</b> as defined by on-time deliveries, superior quality of products, on-site support and servicing, and regularly and conscientiously performing customer satisfaction surveys to obtain truthful feedback</li> </ul>
7	Occupational health and safety	<ul style="list-style-type: none"> <li>- Create a <b>culture of health and safety</b> that supports practices associated with the highest workplace standards and processes</li> </ul>
8	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 in 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>

9	Contribution to communities & society	<ul style="list-style-type: none"><li>- Manage both <b>positive and negative impacts</b> on 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></ul>
10	Quality management	<ul style="list-style-type: none"><li>- Review and apply <b>national and international quality management</b> system periodically</li><li>- Pass management system re-certification audit</li><li>- Meet and exceed customers' expectations</li></ul>

## ENVIRONMENT



### Manufacturing & Services (“M&S”)

The Group’s M&S segment is comprised of Environmental Equipment Manufacturing (“EEM”) and Engineering, Procurement and Construction (“EPC”) businesses.

#### EEM

In 2019, Sunpower adhered to the guidance of “protecting the environment, saving energy and reducing consumption, and preventing and controlling pollution” by integrating research & development, design and sales processes. In pursuing excellence in high-end environmental protection equipment manufacturing and services, Sunpower actively promoted the technical modification of pollution prevention and control facilities involved in the manufacturing of related products.

##### 1. Technical modification of pickling process

As high-end environmental protection equipment is mostly used in petroleum, chemical, metallurgy and other industries where there are high-temperature, high-pressure, toxic, hazardous, flammable, explosive and corrosive environments, the metal surface treatment required of the equipment is

extremely demanding. An indispensable process in the metal surface treatment of pressure vessel equipment is pickling, which produces wastewater containing heavy metal pollutants such as chromium and nickel. However, poor management of wastewater from pickling can easily cause heavy metal contamination to the environment. Electrolytic pickling has zero discharge of pickling wastewater and the electrolyte is non-toxic, corrosion-free and odourless, which avoids heavy metal contamination to the environment and harmful effects to personal health caused by the traditional pickling process. In 2019, an advanced electrolytic pickling technology from Italy was introduced.

**2. Treatment of organic waste gas**

In 2019, in response to the government’s directive, we actively re-organized the treatment of waste gas from spray painting to reduce its harmful effects. Sunpower plans to construct new spray painting booths in Jiangning District High-Tech Park and the Nanjing Jiangbei New Area Chemical Park. In these booths, an advanced waste gas purification process by catalytic combustion will be applied, greatly reducing the emission of organic waste gas.

**3. Audit of cleaner production**

In 2019, Sunpower implemented a cleaner production audit on heat pipe manufacturing to study and investigate the production and service processes, analyse and diagnose the causes of environmental problems, and propose energy-saving and consumption-reduction programs. As a requirement for life-cycle of the products, no harm should be inflicted onto the environment and human lives throughout the product life-cycle from raw material selection to after-use disposal, and harm shall be minimised if it is unavoidable.

**4. Wastewater recycling**

In 2019, Sunpower installed new recycling and pressure-testing devices for domestic sewage and wastewater. The domestic sewage water is now purified and reused for toilet flushing, and the pressure-testing wastewater device enables recycling of the carbon steel pressure test wastewater after purification. These two wastewater purification units have cumulatively saved over 4,000 tons of fresh water since they were put into use.

**Consumption of water and power in the Group’s EEM segment in the past three years**

Category	2017	2018	2019
Water (tons/RMB10,000 sales)	1.74	1.58	1.08
Electricity (kWh/RMB10,000 sales)	92.3	81.2	67.7

## EPC

### 1. Green EPC solutions

Based on customer needs, the EPC segment provides customers with efficient, personalised, high-quality, green EPC projects by integrating the Group's quality resources in project design, supply and construction. In 2019, Sunpower's EPC segment promoted internal energy conservation and emission reduction capabilities to downstream customers through its energy-conserving environmental protection equipment and green energy island model.

◆ Flare and flare gas recycling system	◆ Desulphurisation and denitrification	◆ Waste heat recovery
◆ Water treatment and zero emission system	◆ Comprehensive utilisation of cold energy of LNG	◆ Petrochemical projects
◆ Centralised heating and co-generation	◆ Pipeline energy saving projects	

### 2. Clean and orderly construction that protects the environment

Sunpower has clearly-specified work and environmental protection measures in the *Construction Organization Plan* for EPC projects, aimed at protecting the environment in cooperation with the owner entity, by emphasizing clean and orderly construction work and allocated environmental protection responsibilities to achieve work site dust control and compliance with standards on construction wastewater recycling or discharge after treatment and noise emission.

### 3. Promotion of environmental protection concepts

Sunpower strongly promotes energy conservation and environmental protection concepts, cultivates employees' awareness of environmental protection, advocates low-carbon lifestyles and actively builds a communication platform for external stakeholders of the company for a better response to environmental demands from concerned parties.

#### Sunpower provided EPC services for the following projects in 2019:

◆ High salt water crystallization project of Shenhua Yulin	◆ Flare gas recovery project of Zhejiang Petrochemical Co., Ltd.
◆ Flare project of Jingyi Chemical in Shaanxi	◆ Desulphurisation and denitrification project of Dawei, Yunnan
◆ Flare project of Xinhecheng in Shandong	◆ And others



## Green Investment (“GI”)

### 1. Pollution source control and ultra-clean emissions

Sunpower’s GI projects apply desulphurisation, denitrification and dust removal technologies that strictly comply with national ultra-clean emission standards. The concentration in waste gas emissions that can be achieved is  $\leq 5 \text{ mg/m}^3$  of particulate matter (PM),  $\leq 35 \text{ mg/m}^3$  of  $\text{SO}_2$  and  $\leq 50 \text{ mg/m}^3$  of  $\text{NO}_x$ .

### 2. Protect the blue sky action plan

In 2019, Sunpower continued with its efforts in contributing to the national Blue Sky Program by employing the “centralised heating” model as the primary mechanism for controlling pollution sources in the Beijing-Tianjin-Hebei region, Yangtze River Delta and other economically active areas. 2019 saw the safe operation of centralised co-generation projects such as Changrun Project, Xinyuan Plant, Xintai Zhengda Project, Lianshui Project, Quanjiao Project, Yongxing Plant and Jining Project throughout the year. We supply steam to industrial users through long-distance steam distribution pipelines to support the sustainable development of the local economy and community, while ensuring environmental preservation.

### 3. Modification of denitrification technology to achieve stable emission compliance

In 2019, after the denitrification modification of boiler #5 at Xinyuan Plant, unstable emission hazards created during the high-load and low-load operational phases have been eliminated. While ensuring standards for emissions and ammonia leakage are met, the concentration of denitrified ammonia has been reduced from 20% to 15%. Modification of the denitrification system has also greatly contributed towards haze reduction. This has played an important role in improving China’s air quality and promoting ecological civilization.

**4. Sludge combustion to benefit the country and its people**

Sludge, a by-product of wastewater treatment plants, contains bacteria, parasite eggs, heavy metals and other harmful substances that can cause great environmental pollution. In 2019, Yongxing Plant and Changrun Project achieved mixed sludge combustion through technical modification, which not only solved the sludge disposal problem but also converted sludge into a harmless resource. This has been fuel-saving while effectively protecting the environment. Upon the completion of this technical modification, Yongxing Plant can handle about 50,000 tons per year of sludge from Suzhou city, and Changrun Project can handle about 50,000 tons per year of sludge from Gaoyang Wastewater Treatment Plant.

**Consumption of water, power and coal in the Group’s GI segment in 2019**

Category	2019
Water (tons/RMB10,000 sales)	45.7
Electricity (kWh/RMB10,000 sales)	1,249.8
Coal (tons/RMB10,000 sales)	6.2

**Green Living and Working**

In 2019, Sunpower continued to provide customers with green equipment, green projects and clean energy. For the “Beautiful China Initiative”, Sunpower actively advocated green living and working among employees, promoted resource conservation, reduced generation of waste and emission of pollutants, and reduced wastage of every grain of rice, every drop of water, every piece of paper and every kilowatt hour of electricity.

## SOCIAL RESPONSIBILITY

As a green corporation that aids customers in achieving environmentally-friendly objectives, our positive image and reputation are already secured by the work that we do, but being a socially responsible one as well helps us win the heart of our employees and our communities. We put the health and safety of our employees as our top priority. Further, as part of our commitment to promote a learning culture throughout the organisation, training and education are actively carried out to further enhance capabilities of our employees. These efforts are made with the well-being of our people and the public in mind.

### Internal Occupational Health and Safety Management

#### 1. Production safety is always top priority

In early 2019, in order to implement the HSE policy of “placing safety first and prevention as the priority through comprehensive governance; putting our people first through control and protection as well as participation by all employees; complying with regulations and conducting scientific management for continuous improvement”, the Group Chairman signed a letter of responsibilities on production safety, occupational health and environment protection objectives with the heads of subsidiary companies to implement a system of responsibility on production safety at various levels, and further improve the HSE work system of “taking responsibility at all levels by each and every one”.



#### 2. Improved occupational health and safety management system

To provide employees with a safe and healthy working environment that prevents death, injury and health problems, in August 2019, Sunpower began to shift towards the ISO45001:2018 occupational health and safety management system in order to continuously improve the occupational health and safety management; fulfil laws, regulations and other requirements; and realise the HSE objectives. To achieve a comprehensive and well-executed shift in the occupational health and safety management system, Sunpower invited Mr. Li Hezhi from Jiangsu Fangyuan Certification Group Co.,

Ltd. to conduct a two-day training for all the internal auditors of the Group’s occupational health and safety system.



### 3. Optimised HSE management organisation structure

In May 2019, Sunpower separated the HSE function from the existing Enterprise Management Department, and established the HSE Management Department at the Group level. Under the leadership of the Board of Directors, it will undertake overall responsibility for the production safety, occupational health and environmental protection work of the Group. Since its establishment, the HSE Management Department has made 25 inspections of the production and project sites to better conduct HSE training, audit and inspection, as well as perform basic services and provide support in a manner that would effectively avoid serious injuries or higher-level accidents. In addition, each subsidiary has set up full-time HSE management departments, so that joint actions can be taken at different levels to promote HSE work as a whole, in order to ensure the long-term growth of the company.

### 4. Launched people-centred “smart manufacturing” program

In 2019, the Group launched the people-centred “smart manufacturing” program that uses advanced tools and standard procedures to solve occupational health and safety problems in the production process. To ensure the safe demoulding of the thermal insulation module, Sunpower modified the existing manual demoulding process into one with an automated demoulding loop. In order to prevent acid mist from harming employees and control the risk of suffocation, Sunpower imported the Italian harmless electrolytic pickling process.

### 5. Implemented “5S” management to improve quality and efficiency

In February 2019, the Group arranged a trip for the heads of various subsidiaries to one of the GI projects, Zhangjiagang Yongxing Thermal Power Co., Ltd., to learn “5S” management and use Yongxing as the benchmark to vigorously promote and implement “5S” management in all production workshops and project sites. The improvement of safety in the production environment has led to better production efficiency, lower production cost, higher product quality and shorter production period, thus enhancing the corporate image.



### 6. United as a team and carried the commitment forward

“Better to teach a man to fish than to give him fish”. In 2019, the Group accumulated 14,000 hours in special HSE training time. The HSE Management Department summoned HSE management personnel from various project sites across the country on 11 September and 29 September respectively to the Group’s headquarters to share ideas, bond as a team and carry their commitment forward.



### 7. Organised abundant, diversified production safety activities

Adhering to the concept of “never at the expense of human life”, Sunpower organized abundant and diversified production safety activities focusing on the theme of “preventing risks, curbing accidents and eliminating hidden dangers” in 2019.



## External Occupational Health and Safety Management

### 1. Incorporated intrinsic safety into products

The Group takes into full account the intrinsic safety of its products during the product R&D and project design stages, and technical provisions are made so that the products or the project systems under construction will not cause accidents even if there are wrong operations or faults. In so doing, the occupational health and safety of downstream customers are guaranteed.

### 2. Achieved full coverage in occupational health and safety management

In 2019, the Group's HSE management implemented full coverage in occupational health and safety management, covering administrative offices, cafeterias and vehicle fleets, employee commutes and all persons entering Sunpower's premises. In addition, all customers entering Sunpower's premises are required to sign the HSE notice and go through the appropriate HSE training and instructions. They are allowed to enter factory or site areas only when personal protection equipment is correctly worn.

### 3. Strengthened the management of business qualifications for contracting and outsourcing

In 2019, in strict accordance with the requirements of the *Production Safety Law of the People's Republic of China*, the Group strengthened the management of qualifications of the contracting and outsourcing businesses. It also exercised strict control over the HSE production conditions of the outsourcing entities for projects such as the energy islands and qualifications of entities and individuals for selection of qualified suppliers and contractors.

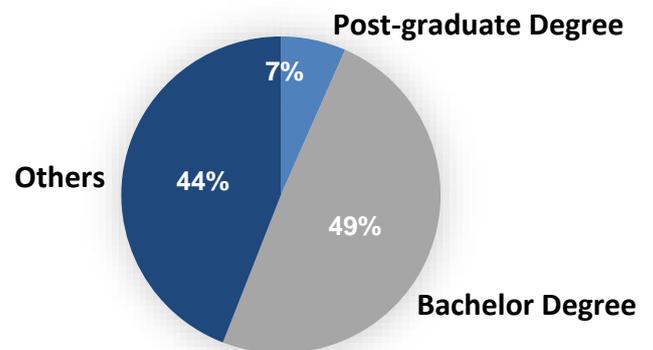
## Our People

Attracting, fostering and retaining talents is the most important factor underpinning Sunpower's continuous progress. We have diverse teams from different backgrounds, regions, ages and expertise. We have continued to develop an inclusive corporate culture that adapts to the diversity of our industry to provide more extensive services to our customers.

We create equal opportunities for all employees regardless of their background, race, gender, age, or religion. Through the implementation of the performance system and personal career development plans, employees benefit from internal channels for promotion and transfer.

A combination of a well-managed platform for high performance and a competitive and challenging market provides the driving force for the enthusiasm of our employees to constantly explore their own potential, and strive to demonstrate their value within the operation of the enterprise. At the same time, common values and leadership are regarded as positive driving forces for employee dedication.

### EMPLOYEES



## Sustainability Report 2019

### Employee profile by gender

<i>Gender</i>	<i>FY2019</i>	<i>FY2018</i>	<i>FY2017</i>
<i>Male</i>	2,397	2,280	1,656
<i>Female</i>	699	684	494
<i>Total</i>	<b>3,096</b>	<b>2,964</b>	<b>2,150</b>

### Employee profile by age

<i>Age</i>	<i>FY2019</i>	<i>FY2018</i>	<i>FY2017</i>
<i>Below 25 years</i>	258	254	178
<i>25 to 34 years</i>	1,123	1,142	913
<i>35 to 44 years</i>	894	854	569
<i>45 to 54 years</i>	658	590	403
<i>55 years and above</i>	163	124	87
<i>Total</i>	<b>3,096</b>	<b>2,964</b>	<b>2,150</b>

### Employee profile by job function

<i>Function</i>	<i>FY2019</i>	<i>FY2018</i>	<i>FY2017</i>
<i>Management and Supervisory</i>	1,191	1,217	916
<i>R&amp;D Personnel</i>	403	416	306
<i>General Worker</i>	1501	1,331	928
<i>Total</i>	<b>3,096</b>	<b>2,964</b>	<b>2,150</b>

### Administrative employee profile by academic qualification\*

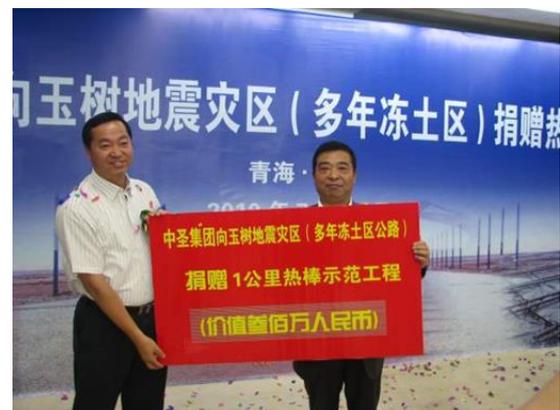
<i>Qualification</i>	<i>FY2019</i>	<i>FY2018</i>	<i>FY 2017</i>
<i>Post-graduate degree</i>	105	119	100
<i>Bachelor degree</i>	787	817	565
<i>Others</i>	703	697	559
<i>Total</i>	<b>1,595</b>	<b>1,633</b>	<b>1,224</b>

\*Including R&D personnel

## Contribution to Society

Sunpower is always committed to giving back to society in the course of its development, and has continuously increased its investment in public welfare and social responsibility. Over the years, the Group has made outstanding contributions in the areas of donated funds to earthquake relief and poverty alleviation. It has gained recognition from all levels of society for its efforts. Since inception, Sunpower has continuously promoted the cause of education, and has set up the “Sunpower Special Scholarship” to help outstanding students from low income families complete their studies. In 2004, Sunpower took the initiative to accept a welfare enterprise on the verge of bankruptcy and provided job security to 27 handicapped workers. During the 2008 financial crisis, on behalf of the Board of Directors, Chairman Guo Hong Xin made an unwavering promise that Sunpower would not lay off workers or reduce their salaries, demonstrating its confidence in coping with the crisis. For the Yushu earthquake in 2009, Sunpower donated heat pipes worth RMB3 million for use in reconstruction after the disaster. Finally, the Group organises voluntary blood donation activities every year as a way to reach out to more people through its efforts.

For many years, Sunpower has continuously engaged in a series of public welfare projects such as “Private Enterprises Assisting 10,000 Households” of the Guangcai Enterprise Promotion Association of Jiangsu Province, Nanjing City and Jiangning District, as a way of giving back to society.



## Sustainability Report 2019

Since 2019, Sunpower’s philanthropic efforts have focused on children’s education and science popularisation. By launching programs including “Sunpower Young Environmentalists” and “Sunpower Public Benefit Library”, Sunpower aims to assist in children’s reading and education at its headquarter and other cities where its projects are located. Sunpower has built book corners and donated libraries for children as well as set up interactive environmental protection courses to enrich children’s school life. In its development and growth over the past 20 years, Sunpower has always been committed to society and public welfare, realising the union of enterprise value and social value. In future, the Group will increase its input in public welfare, commit to public welfare charity activities as a long-term undertaking, and use practical actions to demonstrate its spirit of giving.



## Training and Education

At Sunpower, we are committed to elevating our employees’ abilities. We make endeavours to ensure that our employees are adequately trained and continuously kept abreast of updates in the technical standards that affect their work throughout the various industries. With the implementation of the mentoring system, every new employee will be allocated a mentor to help them familiarise themselves with the working environment and corporate culture, and teach them their job skills. Subsequently, we encourage and enable all employees to pursue professional development opportunities. In FY2019, we provided an average of 28 hours of training for each employee. We focused on growing their leadership capabilities, improving their technical, safety and commercial skills, and increasing their expertise in specialized areas. Please refer to the table below for the relevant data pertaining to training provided to our employees.



614 External



Through organisational needs analysis, the company has divided staff training into three levels of improvement - leadership, professional ability, frontline quality - implemented through a variety of training projects. A survey of staff engagement is carried out every year. The survey results show that the proportion of dedicated employees in Sunpower is relatively high.

**New employee training:** Enhance sense of belonging and foster integration into corporate culture. Conduct new graduates' training and apprenticeship ceremony.

**Promotion of professional ability:** To enhance core competitiveness and provide special training, such as in project development, efficient heat transfer technology, procurement contracts' risk management, legal, design and fire safety.

**Improvement of first-line staff quality:** Pay close attention to the first-line grassroots team and consolidate their fundamental strength. Conduct first-line team leader training camps and operational skills training.

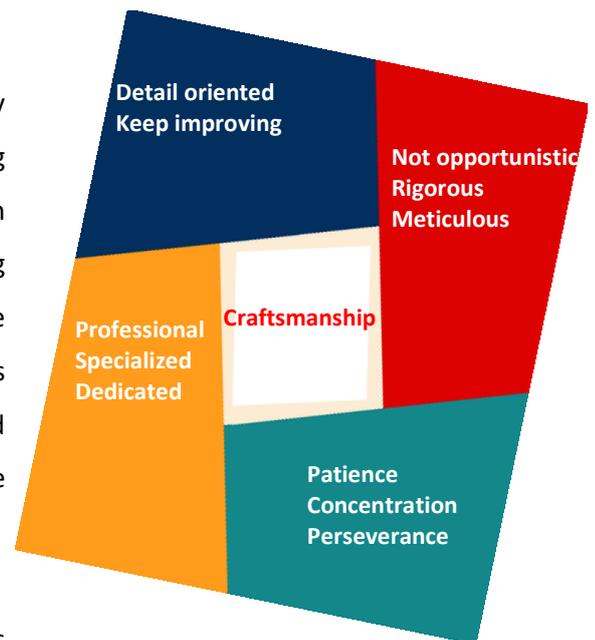
**Promotion of leadership:** Nurture excellent teamwork to build the backbone of the management team. Conduct leadership improvement programs through focused learning, Harvard online learning and continuous learning.

## Corporate Culture

The corporate culture of Sunpower is based on “attaining harmony and inheriting the tradition”. Over its development of more than 20 years, Sunpower has strived to create a model of corporate culture combining the traditional idea in the *Doctrine of the Mean* with modern management methods, containing assistance and teaching cooperation, value enhancement and accountability.



**A culture of assistance and collaboration:** Sunpower highly advocates the building of teamwork culture - inheriting traditional culture, integrating apprenticeship into modern enterprise management practices and innovating the mentoring training model, to get all employees off to a good start. We have established and implemented a mentorship system that focuses on rapid passing of knowledge and skills within the system, and creating interpersonal relationships and a cultural atmosphere for assisting and teaching.



**A culture of value enhancement:** Sunpower encourages employees to pursue new heights in their careers - we have established a technician engagement system and clearly shown the development direction for employees. To improve the development channel, we founded the Sunpower Management College to focus on enhancing the abilities of employees in management, profession and occupation on the basis of the employee competency model. We also incubated and established the innovation studio to organise learning, subject research and skill innovation. By promoting the work in all areas with experience gained at key points, a good working atmosphere in which everyone competes to join the innovation team to improve their skills has been formed. We constantly create a harmonious environment for employees to grow



## Sustainability Report 2019

together with the enterprise and achieve success, to maximize the value of employees and the enterprise.

**A culture with accountability:** the highest virtue and social commitment. Sunpower seeks to achieve the harmonious development of the enterprise with society and environment in its actions, and for years, it has made prominent contributions in support of poverty alleviation, employment, education, earthquake relief and helping vulnerable groups to promote social harmony, and in serving national strategic projects such as the Qinghai-Tibet Railway, and the Belt and Road Initiative, it received commendations by the government, civil affairs departments and charitable organisations.



## Team Bonding

Team building activities enable employees to work together more efficiently. It allows staff to see that everyone has different skills and approaches to a problem. This knowledge is then transferred to the work environment, as individuals understand how best to make use of each other's gifts and abilities. Improving productivity is one of the most common goals of team building. Enjoyable fun activities enable our employees to get to know and develop a better understanding of each other, and break down walls of mistrust by encouraging people to focus on what they have in common instead of their differences. We regularly organise employee activities (such as mountaineering, calligraphy, field trips, sports competitions, etc.) which further enhance our employees' sense of belonging to the company. It is our commitment to pursue a pragmatic, innovative, efficient and harmonious corporate culture. Employees come to know and understand the company's entrepreneurship through cultural propaganda (knowledge), cultural identity (trust) and cultural practice (conduct), which



## Sustainability Report 2019

gradually become universal beliefs expressed in their daily actions.



**Sunpower's Cheerful Running:** This event was started in 2014 with the purpose of advocating public environmental protection in the form of "cheerful running", which conforms to the development direction of the Group and promotes the upgrading and vitality of Sunpower. It helps to enhance team interaction, popularise the Sunpower brand and its influence and combine its corporate culture with the elements of long-distance running, health, going-green and environmental protection.

In 2019, "Sunpower City Cheerful Running" was further expanded, pioneering a new model of "north-south linkage". Concurrently launched in 7 cities (Nanjing, Jinan, Gaoyang, Xintai, Jimo, Zhangjiagang and Lianshui) in 3 provinces of China, with more than 400 participants, it allowed all employees in cities where Sunpower has a business to realise the ideal of "going beyond expectations and beyond self".



**Sunpower's Fun Sports:** In the peak season of production, the employees of Sunpower work day and night for seven days a week, missing a lot of opportunities to be together with their families. The first Fun Games of Sunpower was thus held in 2019 to allow employees to fully enjoy the happy times with their families and colleagues, feel the joyful atmosphere, enhance the cohesion and sense of unity in work, and promote the formation of the "happy home enterprise" atmosphere in Sunpower. Through 4 hours of interaction in various forms, the sports delegations of the Group created a joyful and refreshing time for employees.

## SUSTAINABLE DEVELOPMENT

To adhere to the principles of sustainability, we also take proactive action in enhancing our supply chain management, quality control and the quality of our state-of-the-art technologies to further boost our business performance and to allow us to lead the industry for customer satisfaction.

### Supply Chain Management

Clear standards for suppliers are set to build a reliable, efficient and sustainable supply chain. The principle of sustainable development is taken into account when selecting suppliers in order to monitor risks involved in key areas of the supply chain. We work with suppliers for a better society and a better environment by establishing long-term, stable and sustainable cooperative relationships. We constantly optimise supplier composition by selecting responsible suppliers that are high-performing in the areas of work-site safety management, environmental compliance and corporate society responsibility.

Over the past two decades, we have kept our cooperation with various suppliers on the basis of mutual learning and progress. At present, our long-time suppliers number more than 500, spreading across countries such as China, United States, Japan, Germany, Sweden, United Kingdom, Finland and France. Moreover, strategic and cooperative partnerships have been formed with more than one supplier. Adhering to the “Code of Conduct for Purchasing Personnel”, the Purchase Department does its purchasing business on the basis of fairness, justness, honesty and trustworthiness.

To ensure that the products and services provided by our suppliers meet the relevant environmental, occupational health and safety standards, we have included in our supplier evaluation the requirements of environmental, occupational health and safety management systems as well as other relevant certifications. Furthermore, our contracts with suppliers state that all national regulations with respect to occupational health, safety and environmental protection must be strictly observed.

In 2019, we continued to promote supplier HSE management and detailed supplier HSE management evaluations to assist in guiding and supervising suppliers to improve their awareness of and capability in occupational health management, safety management and environmental protection, aimed at the ultimate purpose of building a low-carbon and green supply chain.

## Quality Management

Quality management plays a crucial role in our growth and performance. Since incorporation, we have always placed great emphasis on quality and consider quality management as an integral part of our business operations. We have established, implemented and are continuously improving the quality management system in strict accordance with the ISO9001 quality management system and relevant laws, regulations and standards both domestic and overseas, to ensure we are an organisation with clear processes and structures, tasks and responsibilities. We stick to the philosophy that product quality is the cornerstone of our enterprise survival and development, while the PDCA model and risk-based mindset have been adopted to manage the whole quality process. Our product quality has been recognised by the government, relevant industry associations and countless customers.

## Innovation and Patents

Sunpower has developed a series of advanced technologies that enable it to provide a complete set of equipment, products and services for both EEM and EPC engineering services over the past 20 years, giving us many technological advantages in energy conservation and environmental protection. As at December 2019, Sunpower has 163 authorised patents, including 61 invention patents and 102 utility model patents.

Sunpower has more than 20 independently researched and developed new technologies and products, such as technology for liquefied natural gas (LNG) gasification; high-efficiency heat exchangers; low-temperature economizer; heat pipe technology; thermal insulation technology and products for cryogenic pipelines and long-distance steam pipelines; zero liquid discharge (ZLD) of high-salinity wastewater technology; energy-efficient integrated pilot light; industrial exhaust gas (flare gas) recovery and treatment technology; energy conservation and environmental protection technology and equipment for combined heat and power, etc.

Sunpower has been awarded with the Science and Technology Progress Award and Outstanding Contribution Award for Environmental Protection from the Chinese government for “high-efficiency heat exchanger”, “zero liquid discharge of high-salinity industrial wastewater” and “flare gas safe recycling and discharge technology”. Sunpower helps customers realize high-efficiency and low-cost LNG regasification, heat recovery, and near-zero discharge of wastewater. Through such means, Sunpower has contributed to China’s energy conservation and environmental protection.

## Economic Performance

A company's financial capital and market performance depends 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, leadership quality, organisational excellence, brand equity, environmental management and human capital.

Sunpower achieved another record level of high-quality financial performance in 2019, in which sustained growth and margin expansion enabled another year of strong growth in underlying profit and cashflow generation. The Group achieved record growth in top and bottom line: revenue rose 10.5% YoY to a record RMB3,604.6 million, and EBITDA grew by 42.5% YoY to RMB706.6 million, resulting in underlying net profit attributable to equity holders increasing 31.5% YoY to RMB352.2 million and underlying operating cash flow increasing 8.4% YoY to RMB267.3 million.

Sunpower has met its target of ~50% of income from the recurring GI business for two consecutive years. GI revenue increased 56.8% YoY to RMB1,155.3 million and GI EBITDA increased 56.7% YoY to RMB432.9 million, while operating cashflow from GI projects increased 18.8% YoY to a robust RMB251.6 million. As GI projects are still ramping up, the

### Group Revenue (RMB'Million)



### Group Gross Profit & Gross Margin (RMB'Million)



### Group Underlying Net Profit Attributable to Equity Holders<sup>(1)</sup> (RMB'Million)



(1) Underlying net profit attributable to equity holders is the true operating performance of the Group, after adjusting net profit attributable to shareholders (including effects of Convertible Bonds and Warrants) for amortised interest expenses, fair value adjustments and foreign exchange gains or losses associated with the Convertible Bonds and Warrants.

### Group Underlying Operating Cash Flow<sup>(2)</sup> (RMB'Million)



(2) Underlying operating cash flow, excluding CB interest of RMB19.7 million.

## Sustainability Report 2019

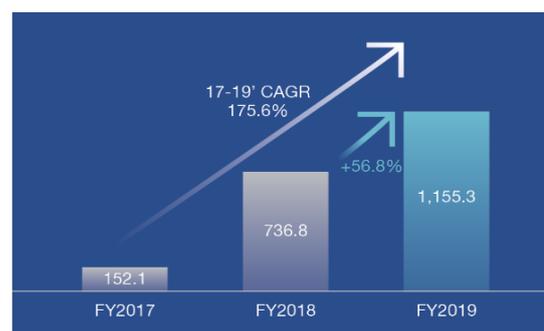
net present value (NPV) of their long-term cash flows is expected to considerably exceed their contributions in the latest reported period<sup>2</sup>. Our GI strategy has successfully driven Sunpower into a long-term, recurring, high-quality income and cashflow company.

M&S achieved revenue of RMB2,449.3 million while profitability was further and substantially improved through the continuous enhancement of core competitive strengths, secured by the Group's technological innovations and sophisticated management. Focusing on the high-end market and servicing reputable customers, Sunpower has delivered superior quality products and solutions to ~1,500 customers in a wide range of industries across 30 countries to date. Sunpower's large base of reputable customers includes BASF, BP, Shell, CNOOC, CNPC, SINOPEC, Wanhua Chemical and Hengli Petrochemical and ~70% of its customer base are repeat customers. Our order book was maintained at a constant RMB2.5 billion for 4 consecutive quarters in 2019, and has surged further to RMB2.8 billion as at April 2020. This is a strong testament to Sunpower's leadership in the market and its strength as a top-tier supplier of environmental protection equipment and services.

### Group EBITDA (RMB'Million)



### GI Revenue (RMB'Million)



### GI EBITDA (RMB'Million)



### Segment Result <sup>(3)</sup> (RMB'Million)



(3) Segment result reflects the operating income of each business segment of the Group, before interest, tax and unallocated corporate expenses as well as fair value change and foreign exchange gains or losses for the Convertible Bonds

<sup>2</sup> Based on the company's long-term discounted cashflow forecasts. Latest reported period refers to the financial year ended 31 December 2019.

## **Customer Satisfaction**

Customer satisfaction is mainly dependent on the quality and reliability of products and services that we provide. Customer feedback is a vital tool for us to understand the needs of our key stakeholders and to be kept advised of the way we should move forward so as to streamline internal work processes, improve quality management and service quality. Fair dealing is the fundamental business rule at all times. Comments and feedback from customers and other concerned parties usually include consultation, complaints, compliments or suggestions.

We guarantee that complaints from customers and other concerned parties will be addressed in a professional, just, timely and responsible manner, and that decisions are clearly conveyed to customers. We are committed to exceeding customer expectations, complying with all applicable laws while continually improving our performance.

The customer survey conducted in 2019 indicated a Customer Satisfaction Index (CSI) of 95.76%, which is an increase compared to the prior year's 94.85%. The survey covered performance, price, service, delivery and brand. In addition, we have won strong support and unanimous praise for our products and have been awarded Strategic Supplier and Excellent Supplier awards by many customers.

In 2019, we had no fines for non-compliance with laws and regulations concerning the provision and use of products and services.

## 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 complied with the requirements of SGX-ST Listing Rules – Sustainability Reporting Guide when preparing 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.

<b>Reporting Boundaries &amp; Standards</b>	<b>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.</b>
<b>Report Period and Scope</b>	This report covers the Group’s operations in China for financial year from 1 January 2019 to 31 December 2019 (“FY2019”).
<b>Accessibility &amp; Feedback</b>	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 <i>ir@sunpower.com.cn</i>

## GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

GRI Standard	Page Reference and Reasons for Omission, if applicable
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102-3 Location of headquarters	3
102-4 Location of operations	3
102-5 Ownership and legal form	3
102-6 Markets served	3
102-7 Scale of the organisation	3, 27
102-8 Information on employees and other workers	34, 35
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102-10 Significant changes to the organisation and its supply chain	NIL
102-11 Precautionary principle or approach	NIL
102-12 External initiatives	NIL
102-13 Membership of associations	7
<b>Strategy</b>	
102-14 Statement from senior decision maker	9, 10, 11
<b>Ethics and Integrity</b>	
102-16 Values, principles, standards, and norms of behaviour	9, 10, 12, 13, 14, 39, 40
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102-18 Governance structure	13, 14, 15
<b>Stakeholder Engagement</b>	
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102-41 Collective bargaining agreements	NIL
102-42 Identifying and selecting stakeholders	16, 17, 18, 19
102-43 Approach to stakeholder engagement	16, 17, 18, 19
102-44 Key topics and concerns raised	20, 21, 22, 23

## Sustainability Report 2019

GRI Standard	Page Reference and Reasons for Omission, if applicable
<b>Reporting Practice</b>	
102-45 Entities included in the consolidated financial statements	Annual Report 2019 – Corporate Structure
102-46 Defining report content and topic boundaries	48
102-47 List of material topics	20,21,22, 23
102-48 Restatements of information	NIL
102-49 Changes in reporting	NIL
102-50 Reporting period	48
102-51 Date of most recent report	Sustainability Report released on 29 May 2019
102-52 Reporting cycle	48
102-53 Contact point for questions regarding the report	48
102-54 Claims of reporting in accordance with the GRI Standards	48-51
102-55 GRI content index	49-51
102-56 External assurance	We have not sought external assurance for FY2019
103-1 Explanation of the material topic and its boundaries	24-47
103-2 The management approach and its components	24-47
103-3 Evaluation of the management approach	24-47
201-1 Direct economic value generated and distributed	45, 46, Annual Report 2019 – Consolidated Statement of Profit or Loss and Other Comprehensive Income
205-1 Confirmed incidents of corruption and actions taken	13
302-1 Energy consumed within the organisation	25, 28
302-4 Reduction of energy consumption	25
303-1 Water withdrawal by source	25
303-3 Water recycled and reused	25
305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	27

GRI Standard	Page Reference and Reasons for Omission, if applicable
403-1 Workers representation in formal joint management – worker health and safety committees	29, 30, 31
404-1 Average hours of training per year per employee	37
404-2 Programs for upgrading employee skills and transition assistance programs	37, 38
405-1 Diversity of governance bodies and employees	13, 14, 15, 34, 35
406-1 Incidents of discrimination and corrective actions taken	NIL
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	33



# BE THE Solution

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# NOT THE Pollution

## ● SUSTAINABILITY REPORT 2019

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