



信義光能控股有限公司

XINYI SOLAR HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 00968

Environmental, Social and
Governance Report

2021

LEADING GREEN
NEW ENERGY

**XINYI
SOLAR**





Content

MESSAGE FROM OUR CHAIRMAN AND CEO	2
ABOUT THIS REPORT	8
ABOUT THE GROUP	10
MATERIALITY ASSESSMENT	14

RESPONSIBLE CORPORATION	
Way to Good Governance	24
Sustainable Development Goals and Corporate Action	34
Climate Action	42

SUSTAINABLE BUSINESSES	
Green Manufacturing	60
Product Lifecycle Management	68
Symbiosis and Coexistence Development Model	74

FRIENDLY TEAM	
Employment Compliance	78
Remuneration Package and Employee Care	81
Occupational Safety and Health	84
Diversity, Inclusion and Equal Development Opportunities	88

ESG PERFORMANCE IN 2021	94
--------------------------------	-----------

APPENDIX	110
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MESSAGE FROM OUR CHAIRMAN AND CEO



“Leading green new energy and being rooted in the solar industry” is the original intention and mission of Xinyi Solar to establish its business. We are committed to promoting the sustainable development of the industry and the transformation of green manufacturing, as well as contributing to the global carbon neutrality goal. We know there is a long way to go, not only to be a leader in scale, efficiency and technology, but also to lead by example in environmental, social and governance (“ESG”) to meet the best international practices. Fortunately, we are on our way and have delivered a sincere result in 2021 by virtue of “Practitioner knows the knowledge, wiser knows the way”.

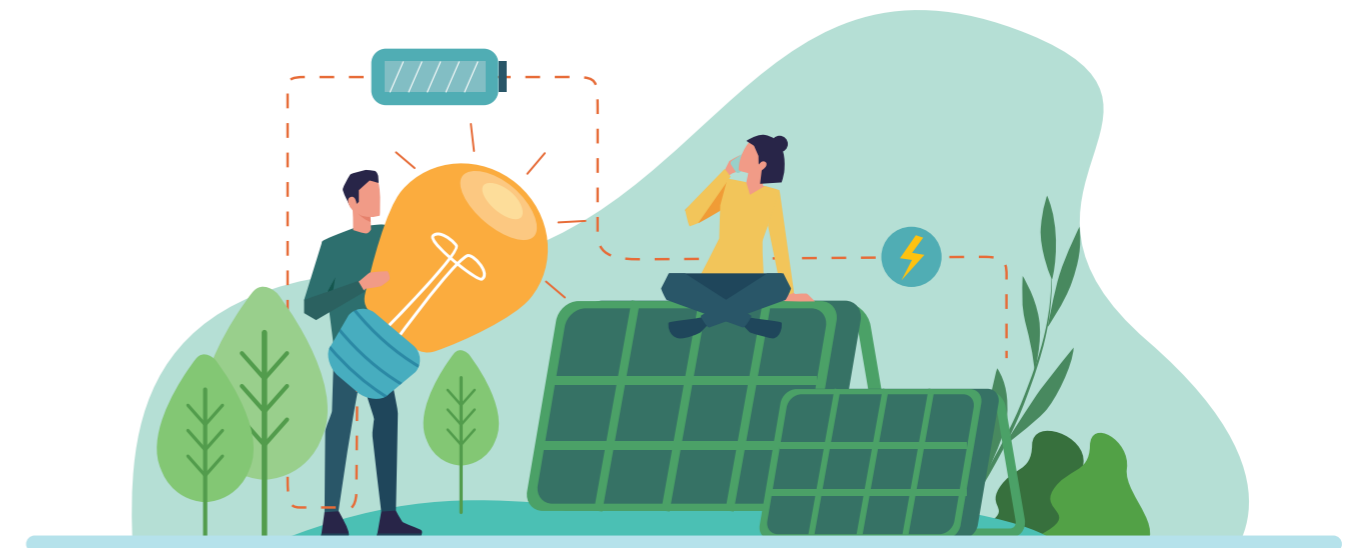


MESSAGE FROM OUR CHAIRMAN AND CEO

In 2021, given that the pandemic has brought various impacts on economic and people’s livelihood along with the different economic recovery performance all around the world, all governments show strength and determination on greenery and sustainable economic recovery. As the world’s largest solar glass manufacturer and a leading private solar farm developer and owner in China, we see the huge opportunities that a sustainable economic recovery and global energy transition will bring to the long-term development of the Group’s core businesses. We are more than ever aware of the expectations and responsibilities that come with being an industry leader.

Xinyi Solar has made great efforts on production capacity scale, economic efficiency, technology, research and development to achieve its current leading position. This honour also serves as a driving force for Xinyi Solar to continue to seek progress in its ESG-related strategy, action plan, regulation and disclosure, driving us to be a “responsible corporation”, continuing the “sustainable businesses” for ourselves, building a “friendly team” for our employees and guarding a “hopeful future” for the society.

ESG Governance: The Group continued its governance structure in 2021. Being the highest governance body, the board (the “Board”) of directors of the Company is responsible for overseeing the Group’s ESG matters, including assessing and reviewing the corporate ESG strategies, significant ESG-related (including climate-related) opportunities and risks, ESG goals and core indicators, overseeing the internal policy formulation and implementation, the work of the Sustainable Development Management Committee (the “SDM Committee”), the progress of sustainable development goals, annual performance of core indicators and ESG information disclosure. The SDM Committee, led by the CEO, is responsible for coordinating all ESG work under the authority and supervision by the Board, including formulating ESG strategies, annual and medium-long term plans which are consistent with sustainable development goals to ensure that ESG factors are fully taken into consideration in the Group’s strategy formulation and business operation, directing the work of the ESG working group (e.g. participating in materiality assessment, reviewing quarterly and annual performance on core ESG indicators and reviewing ESG reports, etc.), establishing a mechanism to regularly review ESG risks and opportunities and developing action plans and overseeing implementation and reporting regularly to the Board on relevant issues.



ESG Strategies: In 2021, the Group has implemented “Two enhancements and one reduction” strategy, including “Enhancement of solar glass production capacity and the installed capacity of solar farms” and “Reduction of the energy intensity and emission intensity of solar glass production”. Photovoltaic (“PV”) is an effective way to move towards a zero-carbon future. As a PV enterprise, the Group’s core business development and products are of positive significance to the realisation of the United Nations sustainable development goals and global energy transition. In the process of global low-carbon transformation, “Manufacturing Green Products” is our competitive advantage given by the industry and our core businesses, while striving to “Green Manufacturing” is our responsibility and commitment to the society. In 2021, the Group recorded delightful progress on core performance indicators and sustainable goals.

Green Manufacturing

Reduction of the energy intensity and emission intensity of solar glass production Note 1

Energy saving

- Intensity of energy consumption **decreased by 4%**
- Water recycling rate was **95.6%**
- Packaging materials per unit of product **decreased by 2.7%**

Emission reduction

- Intensity of greenhouse gas emissions **decreased by 6.8%**
- Reduction in nitrogen oxides (“NO_x”) emission increased by 2.5 p.p. to **84.1%**
- Reduction in sulphur dioxide (“SO₂”) emission increased by 6.1 p.p. to **66.6%**
- Reduction in particulates emission increased by 8.3 p.p. to **91.7%**
- Intensity of hazardous wastes **decreased by 14.8%**

Note 1: Further details in relation to environmental performance data of solar glass business, please refer to “ESG Performance in 2021” section

Manufacturing Green Products

Increased solar glass production capacity

- Production capacity increased by **4,000 tonnes/day**
- Total daily melting capacity has increased to **13,800 tonnes/day**
- Maintained the global market leader position in 2021, supplied solar glass to meet the requirements of **67GW** modules
- Equivalent to a reduction in CO₂ emission of **50 million tonnes** per year


Enhancement of the installed capacity of solar farms

- The capacity of solar farms installation newly added **580MW**
- Total installation exceeded **4GW**
- Power generation in 2021 increased by **33%**
- Reduction in CO₂ emission of **3,075 thousand tonnes**

Sustainable Development Goals

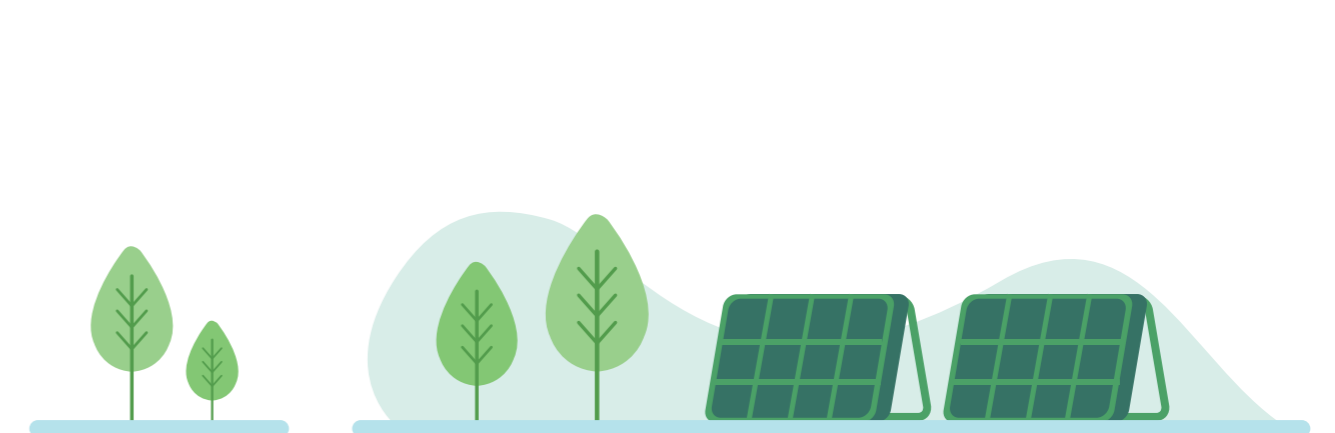
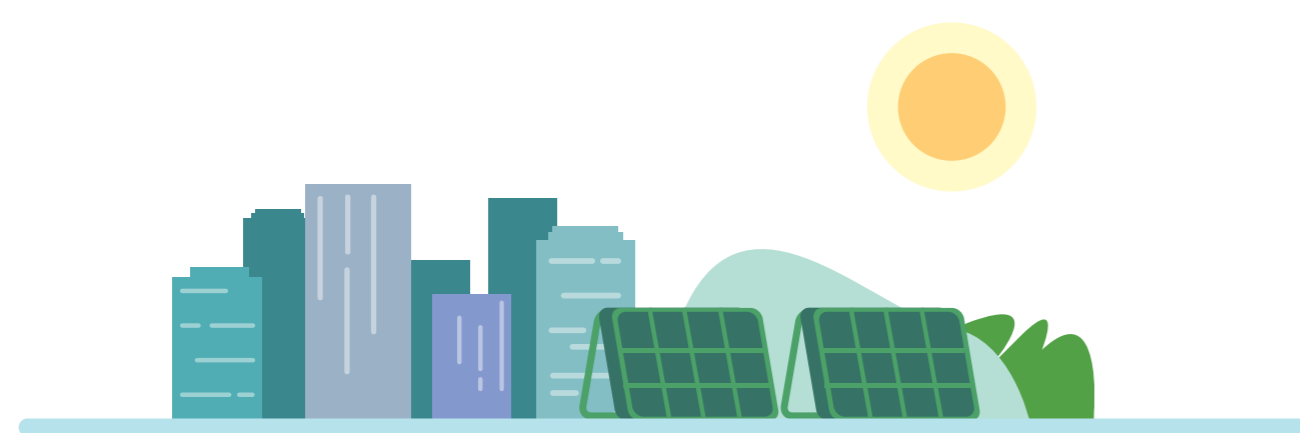
Achievement of sustainable development goals ahead of schedule by 2021

- Strive for greenhouse gas emissions per unit of product in 2023 decreased by 13% as compared with the base year (2018) **2021: decreased by 17.7%**
- Increase investment in renewable energy, and strive to increase the equivalent annual carbon reduction of the electricity generation by solar farms owned by the Group by 40% by 2023 **2021: increased by 48.2%**





ESG Disclosure: The Group has participated in third party ESG evaluation to strengthen communication with investors who are interested in ESG matters, positively respond to their enquiries and annual assessment investigation, join the ESG forum, corporate day and other activities so as to understand Stakeholders’ opinions on ESG issues and disclosures of the Group. In 2021, the Group continued to participate in the CDP Climate Change Questionnaire, and first joined the S&P Global Corporate Sustainability Assessment and the Corporate Sustainability Assessment provided by HKQAA for Hang Seng Corporate Sustainability Index. The Group was granted with high performance rating compared with its peers in various sustainable development assessment and was awarded as one of the TOP 100 Global Sustainable Development Corporate in 2022 (ranked 42th in the world and 1st in mainland China) by Corporate Knights, a Canada media and investment research corporation.



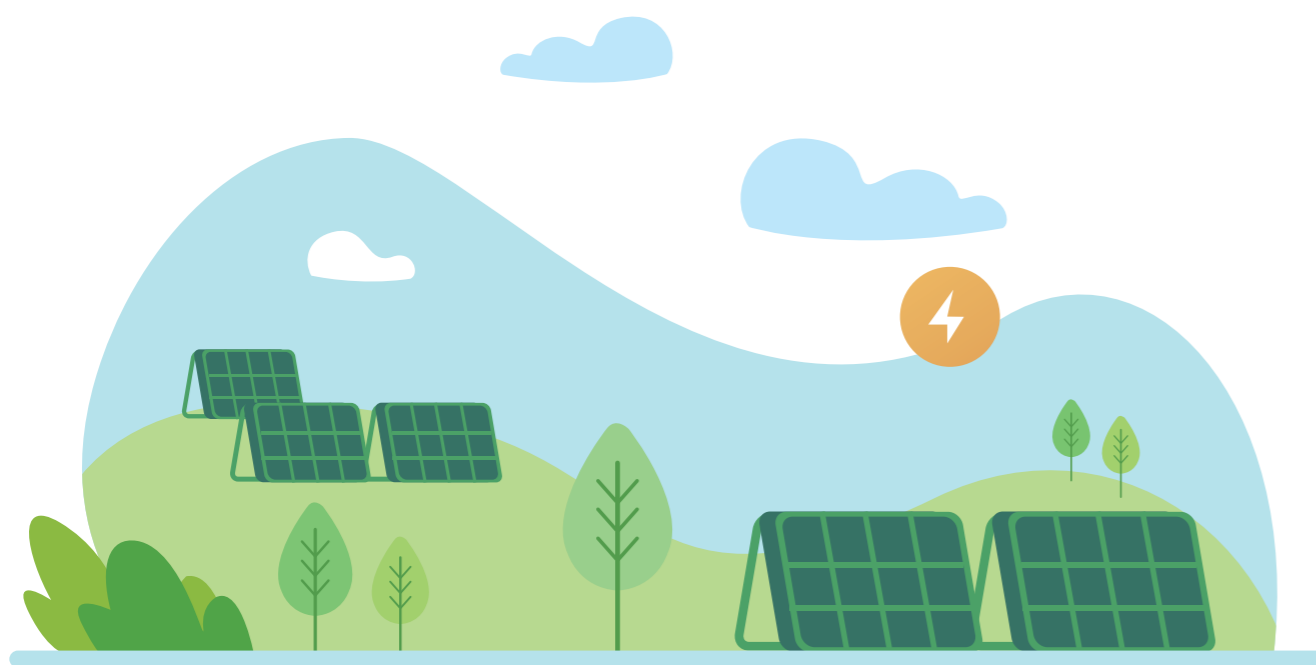
According to the latest report of Intergovernmental Panel on Climate Change (“**IPCC**”), “The global temperature is expected to reach 1.5°C of warming in next 20 years”. *The Global Risks Report 2022* issued by World Economic Forum (“**WEF**”) points out that over a 10-year horizon, the environmental risks associated with climate action failure, extreme weather, and biodiversity loss were ranked as the top three most severe risks to the world. The opportunities and risks related to climate change, climate actions to be taken by the corporation and business resilience become the most concerned ESG issues. Therefore, the Group has taken into account the recommendations of Task Force on Climate-related Finance Disclosures (“**TCFD**”) and the Guidance on Climate Disclosures issued by The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”), and included in the disclosure on “**Climate Action**” in its 2021 ESG Report qualitative analysis of financial impacts and identification of key risks and relevant parameters in different climate scenarios. In order to continuously raise ESG disclosure standards, the Group has referred to sustainable disclosure topics, accounting metrics and activity metrics of “*Sustainability Accounting Standards for the Solar Technology & Project Developers Industry*” issued by the Sustainability Accounting Standards Board (“**SASB**”) in the United States and begun its first disclosure accordingly.

Looking back over the past few years, we have made substantive progresses on ESG governance, strategy implementation and disclosure. We would like to take this opportunity to express our sincere gratitude to the members of the Board, staff, business partners, friends from the investment community and other key Stakeholders. In future, Xinyi Solar will continue to be committed to its social responsibility and strive for excellence in ESG matters while adhering to its original intention, with the aim of becoming an ESG benchmark in the industry. On the path to achieve sustainable development, we will always work together to achieve better results.

Chairman of the Board
Dr. LEE Yin Yee, B.B.S.

Executive director and CEO
LEE Yau Ching

31 May 2022



ABOUT THIS REPORT

Overview

This Report (the “**Report**”) was prepared in accordance with the Environmental, Social and Governance (“**ESG**”) Reporting Guide (the “**ESG Reporting Guide**”), Appendix 27 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) of the Hong Kong Stock Exchange by Xinyi Solar Holdings Limited (“**Xinyi Solar**” or the “**Company**”) and its subsidiaries (the “**Group**”).

The Report is the sixth sustainability report of Xinyi Solar. Under the theme of “**Action**” and through three sections, namely “Responsible enterprise”, “Sustainable businesses” and “Friendly team”, the Report fully presented the action plan, effectiveness and achievement in relation to the ESG governance, sustainable development goals and climate action, sustainability of core businesses, talent building as well as the laws and regulations and internal rules and systems to be followed in the management system from 1 January to 31 December 2021 (the “**Reporting Period**” or “**Year**”). Some contents may be traced back to previous years or extended to 2023. The Report should be read in conjunction with the Company’s 2021 Annual Report and the “Corporate Governance Report” included therein. The Report is published in Chinese and English. In case of any discrepancy between the two versions, the Chinese version shall prevail.

The Report is available for download at the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.xinyisolar.com).

Reporting Boundary

The Report covered the Company and its wholly-owned and non-wholly-owned subsidiaries located in Mainland China, Hong Kong, Malaysia, Canada, and their core businesses, which include: (i) production and sales of solar glass; (ii) solar farm business which include solar farm development, solar power generation, and the provision of engineering, procurement and construction (“**EPC**”) services. The coverage is the same as Company’s 2021 Annual Report.

Reporting Principles

The environmental and social key performance indicators (“**KPIs**”) have been compiled with reference to the Reporting Guidance on Environmental KPIs and the Reporting Guidance on Social KPIs of the Hong Kong Stock Exchange, respectively. We selected the scope of disclosure and collect data based on the principles of materiality, relevancy and applicability via a systematic materiality assessment procedure combining internal and external opinions, and calculated according to the parameters applicable to the Group’s industry and geographical location of operations. Details on the materiality assessment can be referred to in the section headed “**Materiality Assessment**” of the Report.

The Group’s performance under each of the quantifiable KPIs in the Reporting Guidance on Environmental KPIs and the Reporting Guidance on Social KPIs of the Hong Kong Stock Exchange during the Reporting Period and the comparison against the performance in 2020 are set out in the section headed “**ESG Performance in 2021**”. The standards, methods, assumptions and/or references of calculation adopted for the relevant KPIs and the sources of the major conversion parameters have been properly explained.

In the Report, unless otherwise specified, the performance data of all non-wholly-owned subsidiaries are reported on a 100% basis without adjustment based on the proportion of equity of the Company and all monetary amounts are presented in Hong Kong dollars. KPIs in different periods are calculated with the same methodology, and explanation will be made if there are any changes.

Reporting Framework

The Report has complied with all mandatory disclosure requirements and the “comply or explain” provision in the ESG Reporting Guide. Moreover, the Report has also made reference to some of the disclosure requirements within the Global Reporting Initiative (“**GRI**”). The Group has made disclosures in its ESG report for the first time by referencing to the sustainable disclosure topics, accounting metrics and activity metrics of “*Sustainability Accounting Standards for the Solar Technology & Project Developers Industry*” issued by the SASB in the United States. Content index has been disclosed in **Appendix: “2021 ESG Report Guide Content Index**”, which can help readers to find the information they needed.

With regard to the identification and disclosure of climate related risks and opportunities, the Group has taken into account the recommendations of the TCFD. We also re-examined and re-evaluated the major climate risks and opportunities highly related to the Group’s business as disclosed in the “Environmental, Social and Governance Report 2020” (the “**ESG Report 2020**”), and made corresponding adjustments and/or supplements based on the natural environment, policies, and corporate development factors in 2021. We have provided a qualitative analysis of the financial impact brought by identified key risks and opportunities of the Group and disclosed the strategies and actions adopted by the Group. Such disclosure can be found in the paragraph headed “**Climate Action**” of “**Responsible Corporation**” section in the Report.

Forward-looking Statements

The Report contains forward-looking statements, which are projections and assumptions based on the current state of the Group’s business and the industry and market in which the Group operates, and are not guarantees of future performance. The Group’s performance may be affected by market risks, uncertainties and factors beyond the Group’s control. Hence, the actual result may differ from the assumptions and related statements made in the Report.

Review and Approval

The Report has been reviewed by the SDM Committee and was published on 31 May 2022 after the approval by the Board.

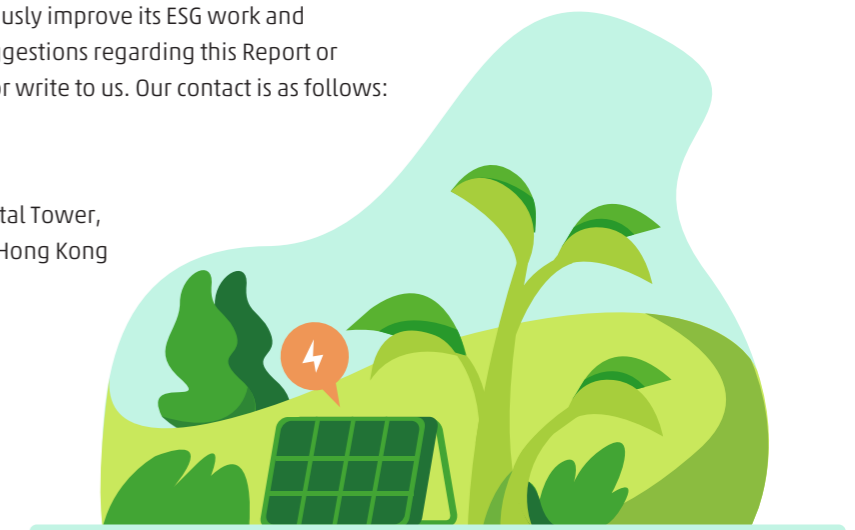
Contact and Inquiry

Your feedback will help the Group to continuously improve its ESG work and performance. If you have any questions or suggestions regarding this Report or the Group’s ESG work, please feel free to call or write to us. Our contact is as follows:

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ABOUT THE GROUP

Xinyi Solar listed on the Main Board of the Hong Kong Stock Exchange on 12 December 2013 (stock code: 00968.HK). The Group specialises in the research and development, manufacturing, sales and after-sales services of solar glass. Major products include ultra-clear patterned solar glass (raw or tempered), anti-reflective coating solar glass, back glass. We are the world's largest solar glass manufacturer and provide solar glass products to major PV module manufacturers in the world. As of 31 December 2021, the Group had four major solar glass production bases, which are located in Wuhu City of Anhui Province, Beihai City of Guangxi Province, Tianjin Municipality in China and Malacca City in Malaysia, respectively with total daily melting capacity of 13,800 tonnes, including two production lines with a daily melting capacity of 900 tonnes each under cold repair since November 2021.

The global energy transition is inevitable and the PV demand is expected to grow rapidly in the coming years. Solar glass is a critical component of PV module and its quality can have a material impact on the efficiency and lifespan of PV module. Therefore, the Group is determined to adopt aggressive capacity expansion plan and continuously carry out research and development on new production technology and products to supply sufficient and diversified high quality solar glass products to help the solar value chain to reduce cost, enhance efficiency and strengthen the competitiveness as well as satisfying the PV demand arising from energy transition. The Group plans to add eight new solar glass production lines in Zhangjiagang, Jiangsu Province and Wuhu, Anhui Province with a daily melting capacity of 1,000 tonnes each. The Group's total daily melting capacity is expected to reach 21,800 tonnes by the end of 2022. Furthermore, the Group has in its pipeline ten production lines with a total daily melting capacity of 10,400 tonnes, which can help the Group to equip with sufficient capacity to capture market opportunity.

In line with the management philosophy of **"Green and sustainable development"**, the Group operates its solar glass business in accordance with the "5G" principle. Green Procurement, Green Production, Green Product, Green Packaging, and Green Partner will be strictly applied to each production and operation process in order to continuously improve the environmental benefit and further reduce the environmental impacts brought by energy, water and raw materials consumption.

Due to the current feasible technology and cost efficiency consideration, solar glass production is still dependent on fossil energy. Therefore, even though the Group has been using natural gas as the main production fuel, it is still difficult to avoid carbon emission during the production process. Because of the practical constraints, the solar glass operation will not be able to achieve net zero emissions in a short term. To enhance the overall environmental benefits and carbon performance, the Group has installed distributed PV power system on its factory rooftops since 2012 to reduce indirect greenhouse gas emissions, and formally commenced its solar farm business in 2014 to bring more carbon reduction contributions to the society through producing and selling green electricity, which can also largely offset the carbon emissions from solar glass production. As of 31 December 2021, the total installed capacity of the solar farms held by the Group amounted to 4,073 megawatt ("**MW**")^{Note 1}, including 3,844MW utility-scale ground-mounted solar farm projects and 229MW commercial and self-use distributed projects, making the Group a leading private solar farm owner and operator in China. During the Reporting Period, the solar farm projects held by the Group generated a total of approximately 3,695.5 million kWh of electricity, resulting in 3,075,000 tonnes of CO₂ emission reduction, equivalent to 94.6% (2020: 92.1%) of the greenhouse gas emissions from solar glass production in the same period.

Note: (1) Including a joint venture project of 100MW

Following the successful spin-off of Xinyi Energy Holdings Limited ("**Xinyi Energy**") (stock code: 03868.HK) in 2019, the Group has continued to engage in the business of development and construction of solar farms, while the business of the operation and management of solar farms is vested in Xinyi Energy, which is 50.05% owned by the Group as at 31 December 2021. Through the "build-sell-hold via Xinyi Energy" model, the funding of the Group's solar farms has gradually achieved a more rapid cycle, providing stronger capital support for the continued growth of the installed capacity in the future. In addition, the acquisition of solar farm projects by Xinyi Energy from independent third parties will also help accelerate the increase in the Group's overall installed capacity. As of 31 December 2021, the Group had 2,494MW solar farm projects held through Xinyi Energy.

The multiple identities conferred to Xinyi Solar are not only an honour but also a responsibility. As a global citizen, the Group is committed to improving environmental performance and complying with business ethics to help achieve the United Nations' Sustainable Development Goals ("**SDGs**") and global climate objectives. As a corporate citizen, we give hands and care to vulnerable group through charity activities on the premise of contributing economic benefits and creating job opportunities and try our best to promote the sustainable development of the community. As a leading corporate in the PV industry, the Group strives to reduce the cost and enhance the efficiency of solar glass production, promote green development of the PV industry and enhance the cost competitiveness of PV power generation. As an employer, the Group is committed to protecting the rights and interests of our employees, providing a safe working environment and equal development opportunities, so that our employees can feel warm and achieve personal growth. The Group has turned its responsibility into a driving force to move forward, keeping in mind its corporate mission, vision and core values in the operational management and strategic planning of its core businesses, and always placing the interests of the community and relevant stakeholders ("**Stakeholders**") at the forefront, thus gaining the recognition, trust and support of all sectors.



Roles and Responsibilities

Global citizen

- Integrate SDGs into business strategy and operational management to proactively increase the positive impact and reduce the negative impact in the following aspects:



- Response to the call of the United Nations Global Compact, the Group has followed the ten principles of the UN Global Compact in the areas of human rights, labour standards, environment and anti-corruption
- During the Reporting Period, the Group's capital expenditure amounted to HK\$4,938 million, all of which was invested in the climate change mitigation activities

Corporate citizen

- We practice the core value of "Treating the world well", uphold the spirit of "What is taken from the society will be used on the society", provide employment opportunities for society and contribute tax to create economic benefits, actively participate in charitable activities to enhance social benefits, pay attention to environmental performance and give full play to our expertise to enhance ecological benefits
- During the Reporting Period, the Group made tax contributions of HK\$987 million and charity donations of HK\$72.915 million



Industry leader

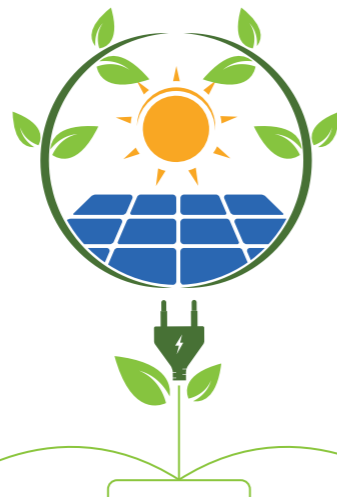
- Always keep in mind the corporate mission and vision, we maintain advanced economic efficiency, production technology, product development and environmental benefits advancements to provide a viable reference of the action plans for the sustainable development of the industry
- We are concerned about the environmental benefits of supply chain, adhere to green procurement, establish a mechanism to effectively monitor the ESG performance of suppliers to ensure compliance with the Group's established supplier code of conduct
- During the Reporting Period, the emissions of NO_x, SO₂ and particulates decreased by 13.1%, 6.4% and 48.9%, respectively; the intensity of energy consumption and unit greenhouse gas emissions decreased by 4.0% and 6.8%, respectively. During the Reporting Period, the procurements of the Group were all from qualified supplier

Employer

- We strictly abide by the talent management system, protect the legitimate rights and interests of our employees and actively respond to their aspirations. We uphold the principle of "Equality, diversity and inclusion" to create a good working environment and provide a development platform to help employees to grow. We strive to be a trustworthy employer
- At 31 December 2021, the Group had 7,072 employees in China, Malaysia and Canada

Belief

- Core value: Trust, integrity, passion and people
- Business Concept: Green and sustainable development
- Corporate mission: Leading green new energy
- Corporate vision: Creating an outstanding glass company and establishing a world-class brand



ESG Strategy

- "Two enhancements and one reduction"
- Enhancement of solar glass production capacity: The goal is to meet 40% of the annual global demand for new PV installations and help the world to achieve carbon neutrality by the middle of this century
- Enhancement of the installed capacity of solar-farms: Increasing green electricity to reduce carbon emission
- Reduction of the energy consumption intensity and emission intensity of solar glass production: Reducing the negative environmental impact of solar glass production

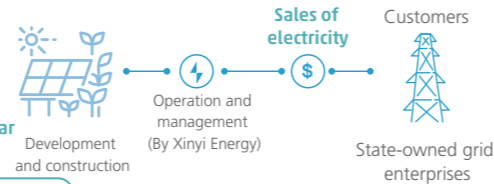
Solar glass business



Understanding end demands to promote the research and development of new products

Understanding the efficiency of the modules to facilitate the design of solar farms and the selection of modules

Solar farm business



Business Model



Hang Seng Corporate Sustainability Index Series Member 2021-2022



ESG Rating, Certification, Award

"B" rating by CDP Climate Change 2021 Questionnaire

"A" rating in the MSCI ESG rating

"A" rating in the Hang Seng Index ESG Rating for four consecutive years from 2018 to 2021

S&P 2021 Global Corporate Sustainability Assessment (CSA): 38 points

FTSE Russell ESG rating : 2.5 points

"Green Finance Pre-Issuance Stage Certificate" issued by the Hong Kong Quality Assurance Agency

"Asian Corporate Management Team Rankings" by Institutional Investor
 "Most Honoured Company" and ranked 1st in the "Best Environmental, Social and Corporate Governance", "Best Investor Relations Company", "Best CEO", "Best CFO" and the "Best Investor Relations Specialist" awards in the industrial sector



Awarded as one of the TOP 100 Global Most Sustainable Corporate in 2022 by Corporate Knights, a Canada media and investment research corporation, and ranked 42th in the world and 1st in mainland China



Entered the Carbon Clean 200™ jointly issued by As You Sow, a non-profit organisation in US, and Corporate Knights in 2022



Index constituents Note 1

ESG index

FTSE4Good Emerging Index

Hang Seng ESG 50 Index

Hang Seng Corporate Sustainability Benchmark Index
 Hang Seng Shanghai-Shenzhen-Hong Kong Clean Energy Index
 HSI Low Carbon Index

MSCI Global Alternative Energy Index
 MSCI ACWI Sustainable Impact Index
 MSCI ACWI IMI Select Top 30 Efficient Energy Indexes
 MSCI ACWI IMI New Energy ESG Filtered Index
 MSCI ACWI IMI SDG Impact Select Index
 MSCI Emerging Markets ESG Leaders Index
 MSCI China ESG Leaders 10/40 Index
 MSCI China Climate Paris Aligned Index

Non-ESG Index

Hang Seng Index
 Hang Seng Composite Index
 Hang Seng Composite Industry Index- Industrial
 Hang Seng Composite LargeCap Index
 Hang Seng Stock Connect Hong Kong Composite Index

MSCI All Country World Index
 MSCI Emerging Markets Index
 MSCI China Index
 MSCI China Quality Index

Note 1: The above table is based on the latest available results as of the issuance date of this Report and is not a complete list



MATERIALITY ASSESSMENT





Stakeholders Identification and Communication

The Group identifies its key Stakeholders through "Stakeholder Influence-Dependency Matrix". Based on the principles of relevance, influence, degree of dependency and proximity, the Group's definition of key Stakeholders during the Reporting Period is consistent with that in the past and refers to **the group of persons that are effectively related to the Group's major businesses and/or whose actions are/potentially likely to have a significant impact on the achievement of the Company's objectives and on whom the Group's business operation and long-term development are/potentially likely to have a significant impact.** The Group has classified the key Stakeholders identified into six groups, namely **regulators, shareholders/potential investors, employees, suppliers/business partners, customers and communities**, which is in line with 2020.

The Group has established a long lasting key stakeholder communication mechanism, maintained close communication with different stakeholder groups through diversified communication channels during the Reporting Period, and timely understand and respond to the concerns and demands of key Stakeholders.

Long Lasting Communication Mechanism with Key Stakeholders

Key Stakeholders	Major functions departments involved	Major communication channels	Issues of concern
 <p>Regulators</p>	External communication personnel, development division	<ul style="list-style-type: none"> Phone call/meeting Site visit Online real-time monitoring system Compliance report 	<ul style="list-style-type: none"> Corporate governance and business ethics Environmental governance and protection Community prosperity Production management and product responsibility Talent team building and management
 <p>Shareholders/ Potential Investors</p>	Investor relations department	<ul style="list-style-type: none"> Annual general meeting Circular and announcement Annual/interim financial report Annual ESG report Investor conference and roadshow Press release/company website Phone/e-mail inquiry Instant chat/online communication APPs 	<ul style="list-style-type: none"> Corporate governance and business ethics Environmental governance and protection Business sustainability, flexibility and innovation Value chain development (Supplier management and customer management) Production management and product responsibility

Key Stakeholders	Major functions departments involved	Major communication channels	Issues of concern
 <p>Employees</p>	Trade union, administrative department	<ul style="list-style-type: none"> Regular department/group meeting Performance appraisal Training and employee activity Employees' satisfaction survey Interview/employee opinion box 	<ul style="list-style-type: none"> Talent team building and management Production management and product responsibility Corporate governance and business ethics Business sustainability, flexibility and innovation
 <p>Suppliers/ Business Partners</p>	Procurement team	<ul style="list-style-type: none"> Product procurement/project tendering Cooperation plan/site visit Qualification certification and regular review on suppliers Phone call/e-mail/meeting 	<ul style="list-style-type: none"> Value chain development (supplier management) Corporate governance and business ethics Environmental governance and protection
 <p>Customers</p>	Sales department, quality control department	<ul style="list-style-type: none"> Site visit Phone call/meeting Questionnaire and feedback Press release/corporate website WeChat public account 	<ul style="list-style-type: none"> Value chain development (customer management) Production management and product responsibility Corporate governance and business ethics Environmental governance and protection
 <p>Communities</p>	Engineering department, external communication personnel, trade union	<ul style="list-style-type: none"> Environmental assessment Coordination meeting Charitable activity Press release/official website WeChat public account Phone call/visit 	<ul style="list-style-type: none"> Community prosperity Environmental governance and protection Business sustainability, flexibility and innovation Production management and product responsibility

Material Issues

During the Reporting Period, the Group implemented a standardised process of "Identification – prioritisation – verification" for materiality assessments, resulting in the identification of 33 material issues, of which "Product design and full life cycle management" and "Supply chain risk identification and monitoring" were newly added in 2021.



Identified relevant issues

- Issues that may impact our core business operation and long-term development
- Refer to the international/local best practice recommendations, including (i) the SASB Materiality Map and the Sustainability Accounting Standards for the Solar Technology & Project Developers Industry; (ii) the top ten risks in the next ten years identified by the WEF in the Global Risks Report 2022, which are related to the ESG on which the Group's industry focus; (iii) the Hong Kong Stock Exchange's Materiality table – by Industry and aspect
- The relevant issues identified are divided into seven major areas, including corporate governance and business ethics (G), environment governance and protection (E), business sustainability, flexibility and innovation (B), production management and product responsibility (P), value chain development (V), talent team building and management (T), and community prosperity (C)



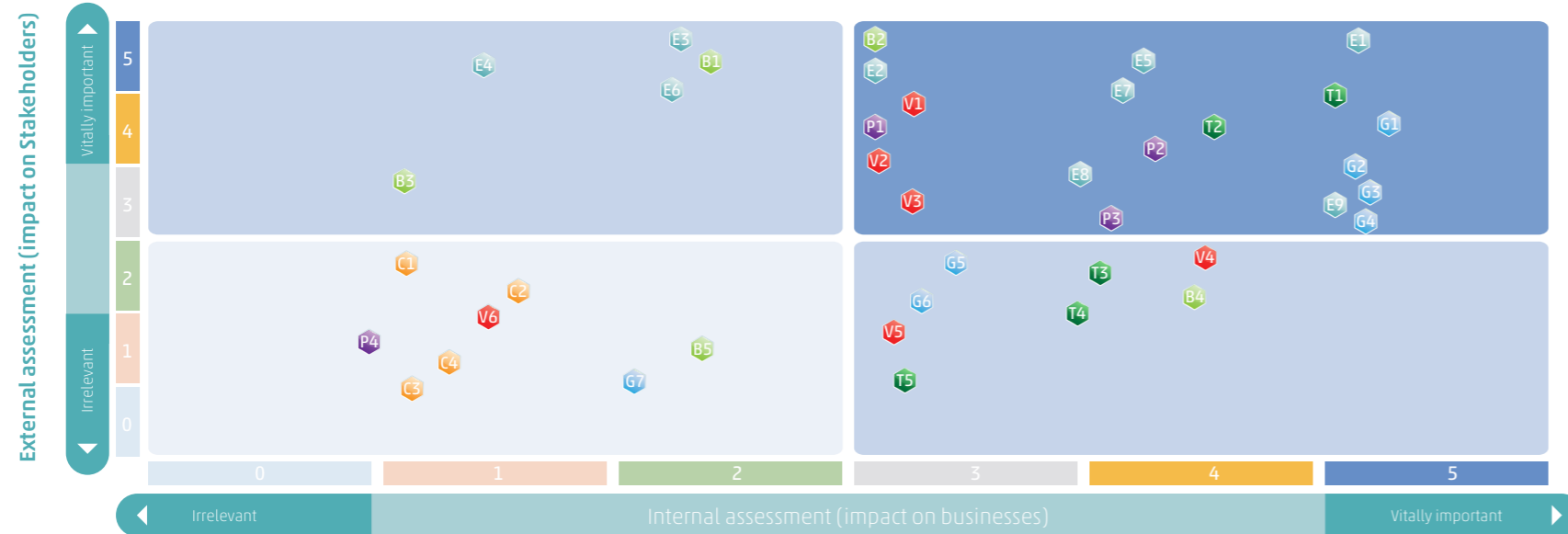
Prioritisation by materiality assessment on the relevant issues

- ESG working group conducted internal meetings to review relevant issues' impact on our business operation
- Conducted stakeholder communications (including day-to-day communications and the Xinyi Solar 2021 ESG Materiality Assessment Questionnaire) to understand relevant issues' impact on various Stakeholders and sustainable development of the Group
- Present the internal and external assessment results through materiality matrix



Verification

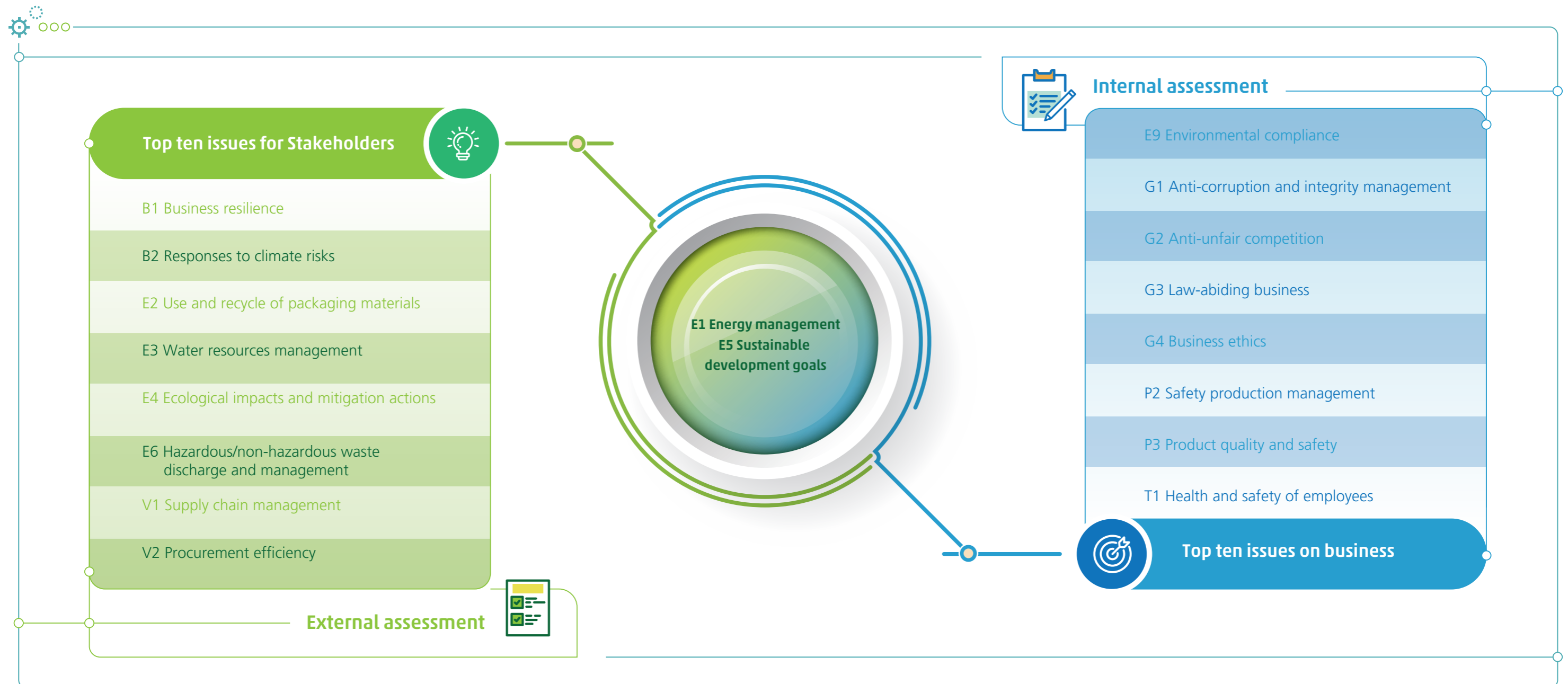
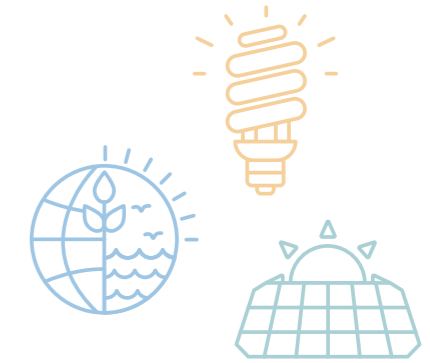
- Submit the results of materiality matrix to the SDM Committee
- Finalisation of the material issues after review and verification by the SDM Committee



B1	Business resilience	G3	Law-abiding business
B2	Responses to climate risks	G4	Business ethics
B3	Physical impact of climate change on business	G5	Information disclosure and transparency
B4	Patent and intellectual property protection	G6	Governance structure
B5	R&D investment	G7	Shareholding structure
C1	Community relations building and maintenance	P1	Product design and full life cycle management
C2	Charity work	P2	Safety production management
C3	Education and publicity	P3	Product quality and safety
C4	Community economic contribution	P4	Product packaging
E1	Energy management	V1	Supply chain management
E2	Use and recycle of packaging materials	V2	Procurement efficiency
E3	Water resources management	V3	Supply chain risk identification and monitoring
E4	Ecological impacts and mitigation actions	V4	Information security
E5	Sustainable development goals	V5	Sales and after-sales service management
E6	Hazardous/non-hazardous waste discharge and management	V6	Customer management and complaint handling system
E7	Air pollutants emission and treatment	T1	Health and safety of employees
E8	Greenhouse gas emission and management	T2	Employment compliance
E9	Environmental compliance	T3	Employee engagement, diversity and inclusion
G1	Anti-corruption and integrity management	T4	Employee benefits and talent incentives
G2	Anti-unfair competition	T5	Training and career development



Based on the external materiality assessment, key Stakeholders remain most concerned with the Group's approach and performance in environmental governance and protection, climate risk response and business resilience. Meanwhile, due to the cost fluctuations caused by the changes in raw materials and energy supply in the solar glass industry during the Year, as well as the international community's concerns over the supply chain of the PV industry, there was an increased level of concern from key Stakeholders on issues related to supply chain management. In addition, as the PV industry enters a new development cycle, the interest of governments and international research institutions in the decommissioning of PV modules has led to a significant increase in attention from key stakeholder groups such as investors and regulators on the full life cycle management of PV products. In September 2021, the National Development and Reform Commission (NDRC) of the People's Republic of China proposed "the construction of a recycling system for PV modules as an area requiring further legal regulation" in its request for comments and proposals for amendments to "The Circular Economy Promotion Law of the People's Republic of China". Therefore, "Product design and full life cycle management" was included as a material issue. The internal materiality assessment revealed that issues related to corporate governance, business ethics as well as occupational health and safety have a significant impact on the Group's business. In addition, energy management and environmental compliance issues received further attention due to the significant strengthening of environmental protection policies and monitoring regulations, as well as the significant increase in global energy costs during the Reporting Period. The following are the issues that jointly/separately have a significant impact on the business and Stakeholders:



SDM Committee carefully reviewed the results of the materiality assessment and identified the following 33 issues as material based on comprehensive consideration of the impact of the relevant issues on the Group's business and response to Stakeholders' requests. The material issues identified have been disclosed accordingly in this Report and presented in the table as follow:

Material issues ^{Note 1}	Sections of this Report that contain the relevant disclosures
1 Law-abiding business	Responsible corporation - Way to Good Governance
2 Governance structure	
3 Sustainable development goals	Responsible corporation - SDGs and corporate actions
4 Responses to climate risks	Responsible corporation - Climate action
5 Physical impact of climate change on business	
6 Business resilience	
7 Environmental compliance	
8 Energy management	
9 Water resources management	
10 Greenhouse gas emission and management	Sustainable businesses - Green manufacturing ESG performance in 2021- Environmental governance
11 Air pollutants emission and treatment	
12 Hazardous/non-hazardous waste discharge and management	
13 Use and recycle of packaging materials	
14 Product design and full life cycle management products	Sustainable businesses - Product lifecycle management ESG performance in 2021- Product responsibility
15 Supply chain management	Sustainable businesses - Product lifecycle management - Responsible procurement
16 Procurement efficiency	
17 Supply chain risk identification and monitoring	

Material issues ^{Note 1}	Sections of this Report that contain the relevant disclosures
18 Sales and after-sales service management	Sustainable businesses - Product lifecycle management - Customer management
19 Product quality and safety	
20 Information security	
21 Ecological impacts and mitigation actions	Sustainable businesses - Symbiosis and coexistence development model ESG performance in 2021- Environmental governance
22 Employment compliance	Friendly team - Employment compliance ESG performance in 2021- Employment and labour practices
23 Employee benefits and talent incentives	Friendly team - Remuneration package and employee care
24 Safety production management	Friendly team - Occupational safety and health ESG performance in 2021- Employment and labour practices
25 Health and safety of employees	
26 Employee engagement, diversity and inclusion	Friendly team - Diversity, inclusion and equal development opportunities ESG performance in 2021- Employment and labour practices
27 Training and career development	
28 Anti-corruption and integrity management	ESG performance in 2021- Business ethics
29 Anti-unfair competition	
30 Business ethics	
31 Community economic contribution	ESG performance in 2021- Economic performance
32 Charity work	ESG performance in 2021 - Social welfare and community involvement
33 Community relations building and maintenance	

Notes: (1) The material issues in the table are listed in sequence of their disclosure sections in this Report



RESPONSIBLE CORPORATION

If the crisis of the planet cannot be contained, the sustainable development of enterprises will become impossible. The latest IPCC report shows that the next decade is a critical decade for ensuring the sustainability of the planet. Therefore, we must take immediate action and be more proactive in the area of sustainability with a positive impact, to drive the Group's sustainable corporate action and climate action through better and more disciplined ESG governance, and to do our utmost for the ultimate global victory on climate war.

Focus Areas and Objectives



Way to Good Governance

To be an industry leader in ESG governance and to be in line with international and local best practices



SDGs and Corporate Actions

Set and take proactive actions to achieve corporate sustainability goals in the areas of SDGs where the Group is most likely to have an impact, to reduce the negative impacts of business operations and to continue to increase positive impacts



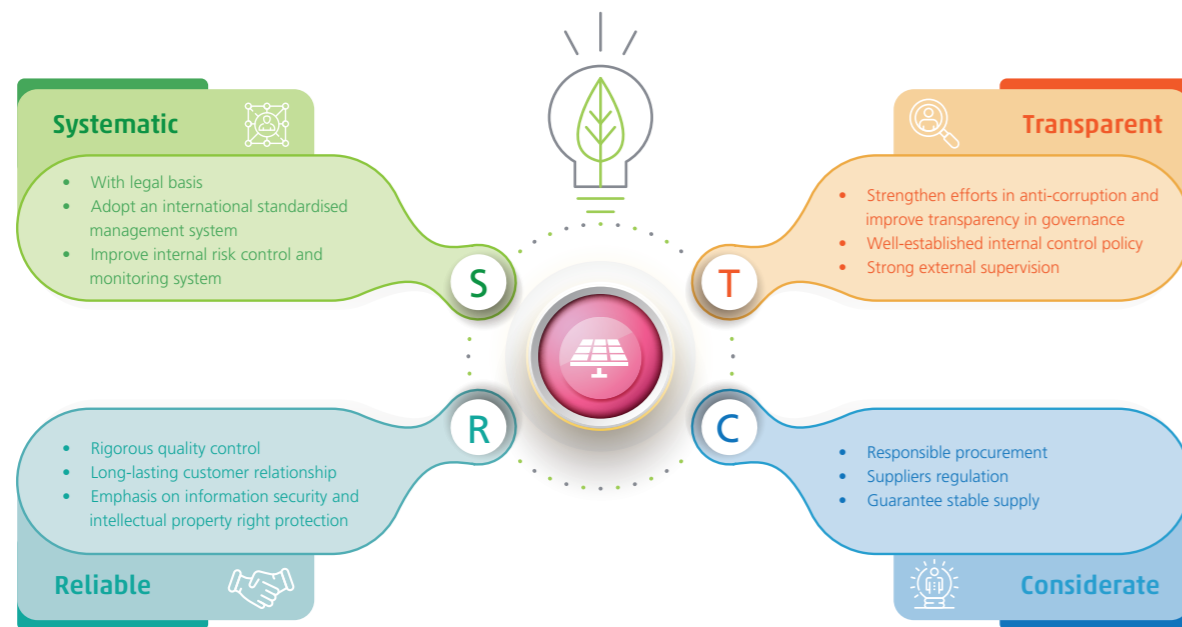
Climate Action

Accurately identify climate risks and opportunities so that the Group can take effective actions to reduce or avoid climate risks and seize climate opportunities to achieve sustainable development

Way to Good Governance

Philosophy

The Group upholds the "STRC" (Systematic, Transparent, Reliable and Considerate) concept in corporate governance, strictly complies with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, and actively refers to and adopts the local/international best practices recommended by the Hong Kong Stock Exchange for continuous improvement in governance.



Xinyi Solar's Corporate Governance with the concept of "STRC"

Corporate Governance

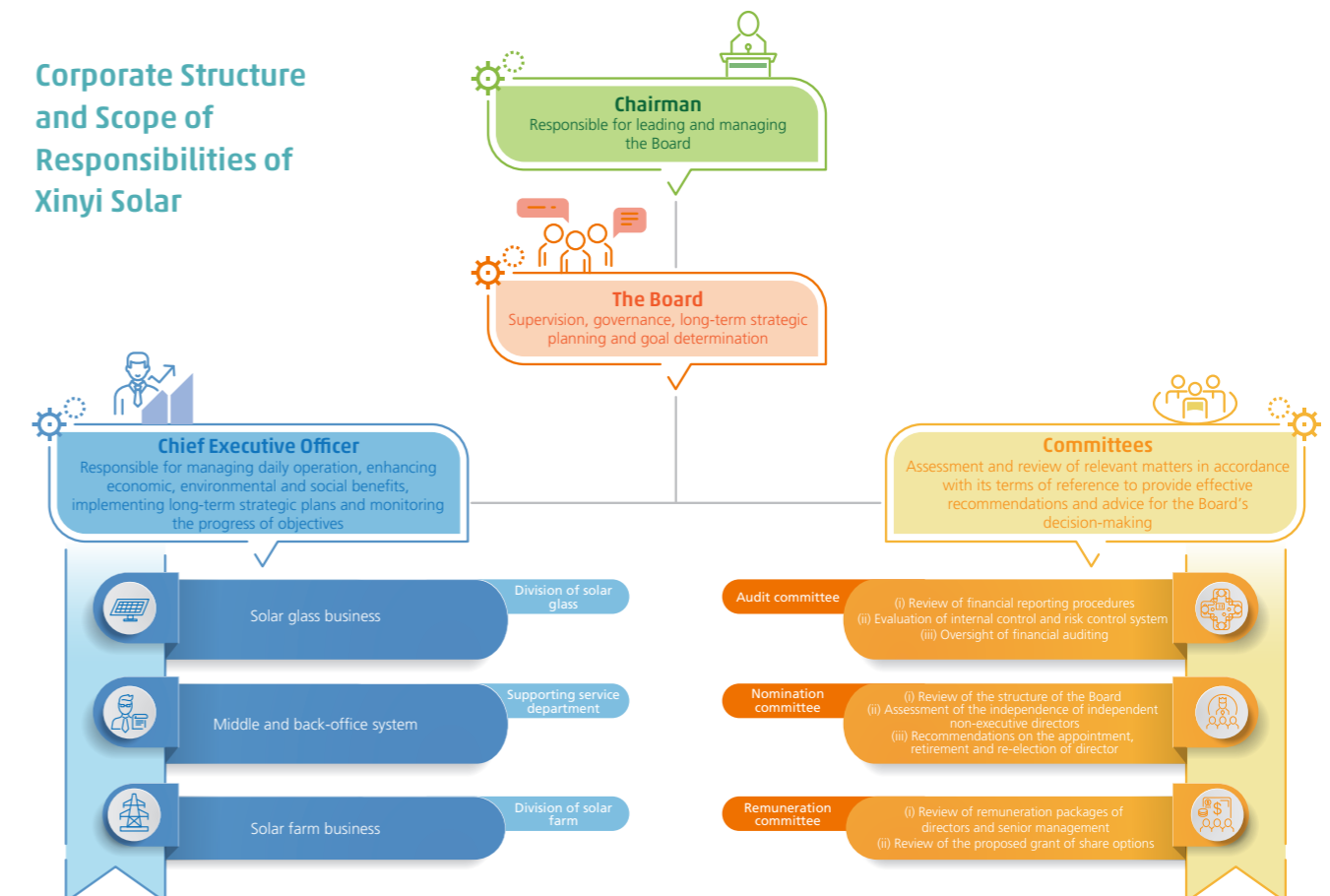
Good corporate governance effectively ensures that all business activities and decisions of the Group are properly regulated and in full compliance with applicable laws and regulations. The Company's 2021 Corporate Governance Report has been included in the Company's 2021 Annual Report and is recommended to be read in conjunction with the contents of this section.

Composition of the Board

The Board of the Company comprises four executive directors, two non-executive directors and three independent non-executive directors, with the independent non-executive directors accounting for one-third of the Board membership. The Company has adopted a board diversity policy, details of which are posted on the Company's website. The nomination committee bases its selection of directors on a range of diversity principles, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and tenure of service, and the final decision is based on the professional merits of the candidates and the contributions they can provide to the Board.

The Group complies with the provisions of the Rule A2.1 of the CG Code by distinguishing the division of responsibilities between the chairman and the chief executive officer and are performed by different directors. Dr. LEE Yin Yee, B.B.S. is the chairman of the Group and Mr. LEE Yau Ching is the chief executive officer of the Group. The chairman, Dr. LEE Yin Yee, B.B.S. is responsible for managing and leading the Board to ensure that the Group maintains strong and effective corporate governance practices and procedures. Mr. LEE Yau Ching, the chief executive officer, is responsible for daily management and operation of the Group's business, including closely monitoring the Group's operating and financial results with the assistance of other members of the Board and other senior management, taking necessary actions to enhance operational efficiency, and formulating future business plans and strategies for the approval by the Board. The Group's corporate governance structure and scope of duties have not been adjusted during the Reporting Period:

Corporate Structure and Scope of Responsibilities of Xinyi Solar



Appointment and Re-election of Directors

The nomination committee (comprising five members, including three independent non-executive directors) has been established under the Board of the Company to make recommendations to the Board on the appointment, retirement and re-election of directors. The procedures for shareholders to nominate candidates for election as directors of the Company have been disclosed on the Group's website.

In compliance with Rule A4.2 of the CG Code, all directors of the Group would retire by rotation every three years, and the retiring directors, being eligible, would offer themselves for election at the annual general meeting.

Independence of Independent Directors

The independence of the independent non-executive directors is confirmed annually in accordance with the established procedures and Rule 3.13 of the Listing Rules. All the independent non-executive directors of the Company are not involved in the daily management of the Group's business, have no business dealings with the Group or any connection with other directors, substantial shareholders and chief executive officer of the Company, and do not hold, directly or indirectly, any issued shares of the Group as well as any share options granted by the Company.

Control of Connected Transactions

The Group's major connected transactions and continuing connected transactions during the Reporting Period were disclosed in the Report of the Directors in the Annual Report 2021. Pursuant to Rule 14A.53 of the Listing Rules, the Group has set annual caps for such continuing connected transactions and has entered into written agreements governing the conduct of these transactions.

Such continuing connected transactions have been submitted to the Board for approval before entering into the transactions. In the course of voting on the resolutions, the directors that may have conflicts of interest are required to abstain from voting on the relevant resolutions.

To ensure that such continuing connected transactions are executed in accordance with the agreements entered into and in compliance with the annual caps, the Group has adopted, but not limited to, the following internal control measures:

- annual review and sample inspection conducted by the internal audit team to ensure that the transactions are conducted in accordance with the agreed pricing basis and internal control requirements;
- annual review conducted by the independent non-executive directors and reported to the Board;
- the issuance of an opinion letter by the auditor in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Determination of Directors' Remuneration

The remuneration committee (comprising five members, including three independent non-executive directors, and is chaired by an independent non-executive director) has been established under the Board of the Company, which is primarily responsible for reviewing the remuneration packages of directors and senior management and determining bonuses.

The remuneration of the Group's executive directors is determined on the basis of their experience, responsibilities, workload and time contributed to the Group. In accordance with the agreements entered into with the directors, the remuneration comprises directors' fees, annual salaries, discretionary bonuses, allowances and benefits in kind (including housing allowances and share options, if any) and contributions to pension schemes. Discretionary bonuses are determined based on the Group's operating results, individual performance (including but not limited to the key business performance of their responsible scopes and the core indicators of other areas in relation to the long-term development of the Company, such as environmental, social, etc.) and comparable market data for each financial year within the executive directors' tenure, and are capped at a maximum of 5% of the Group's total net profit for such financial year.

The Group has a share option scheme. Except for an executive director, Mr. CHEN Xi, who is not a substantial shareholder or a person connected with the substantial shareholders, none of the directors has been granted any share options of the Company.

The remuneration of the Group's non-executive directors and independent non-executive directors are determined in accordance with the duties and responsibilities of the non-executive directors and independent non-executive directors respectively and their agreements with the Company. Pursuant to the relevant agreements, the non-executive directors and independent non-executive directors only received director's fees paid by the Group, received no other non-cash benefits, and were not granted any share options by the Company.

Dr. LEE Yin Yee, B.B.S., the chairman of the Board and an executive director of the Group, and Tan Sri Datuk TUNG Ching Sai *P.S.M., D.M.S.M., J.P.*, a non-executive director, waived their annual director's fee of HK\$250,000 each during the Reporting Period. Details of the remuneration, benefits and interests of each of the directors during the Reporting Period are set out in Note 9 to the consolidated financial statements in the Company's Annual Report 2021.

Internal Control and Risk Management

The audit committee (comprising three independent non-executive directors) is established under the Board of the Company, which is primarily responsible for reviewing the financial reporting process, assessing the independence and performance of the external auditor, overseeing the audit process of the Group, and conducting regular reviews and making recommendations to the Board on continuing connected transactions, compliance procedures, internal control and risk management systems, as and when appropriate.

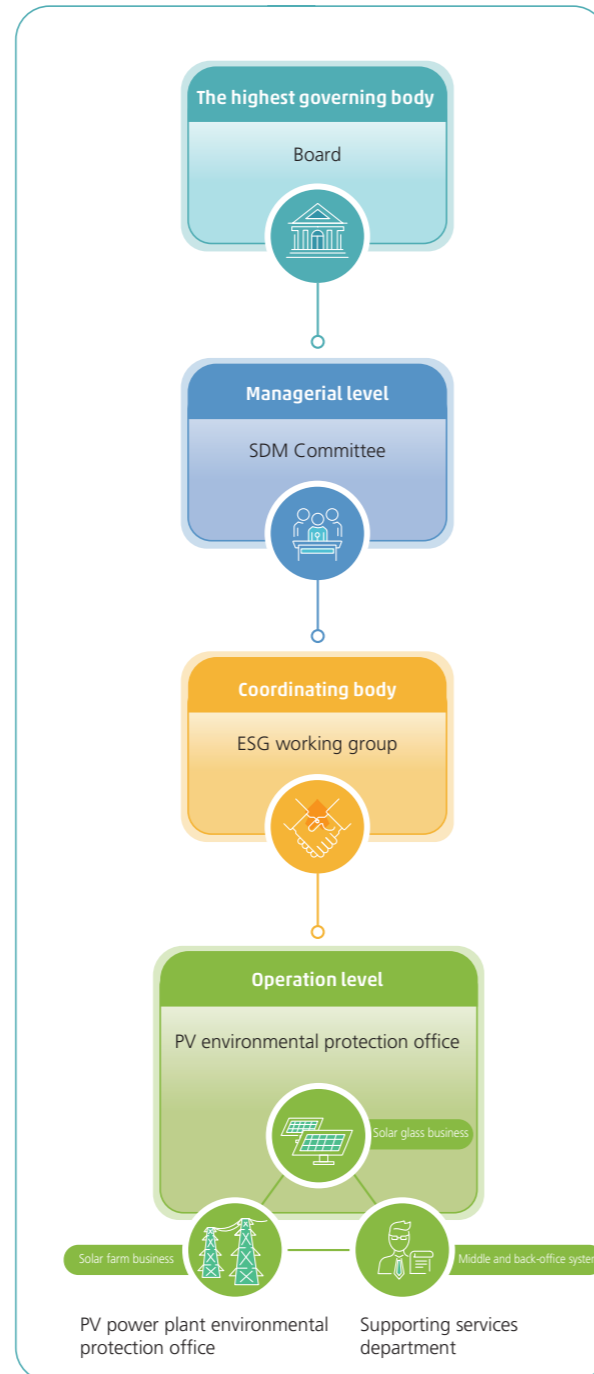
The Group has established an internal audit team which has conducted review and internal audit on the risk control of our solar glass and solar farm businesses in 2021 and has also submitted a written report to the audit committee for review. Risks, opportunities and actions related to climate change were disclosed in the "Climate Action" section of this Report.

ESG Governance Structure

The Group had adjusted the ESG governance structure in 2020 and clarified the Board's oversight and responsibilities for ESG-related work. During the Reporting Period, the Board strengthened its oversight of ESG matters, including monitoring the SDM Committee and ensuring its effective operation, regularly reviewing the internal ESG risk assessment and control mechanisms and their effectiveness, monitoring the assessment of key opportunities and risks, corporate actions and effectiveness, reviewing the core ESG policies and internal rules and monitoring their implementation, and reviewing the corporate sustainability objectives and progress.

The SDM Committee, led by the chief executive officer and comprised of the heads of relevant divisions and/or key functional departments, has been authorised by the Board to direct and oversee the management of the Group's ESG affairs, including: (1) to ensure that ESG factors are fully considered in the Group's strategy formulation and business operations; (2) effective management of ESG risks and establishment of mechanism to regularly review the relevant risks and the effectiveness of the countermeasures; (3) to guide the work of the ESG working group, such as participating in materiality assessments, reviewing quarterly and annual data on core ESG indicators and reviewing ESG reports. The SDM Committee reports to the Board on the ESG risks and opportunities relating to the Group's development, the corresponding strategies and actions taken, ESG core indicators and ESG reports.

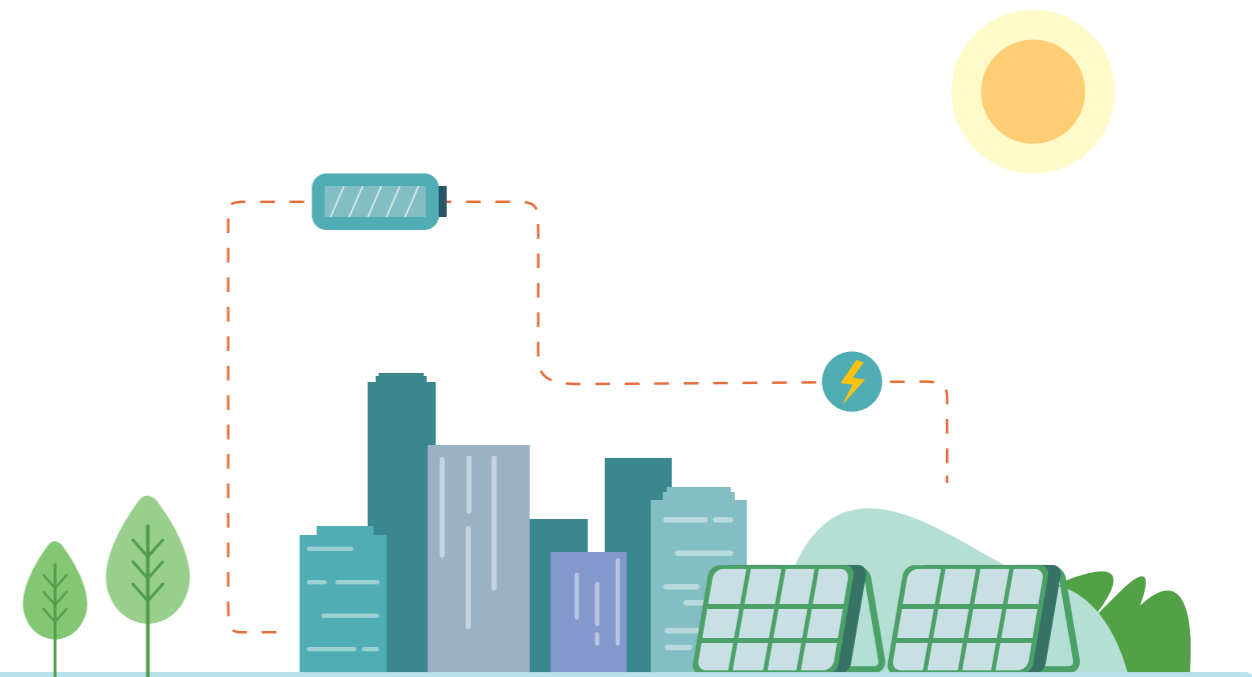
ESG Governance Structure of Xinyi Solar



Regarding the day-to-day management efforts in ESG matters, the Group has established a series of good governance practices to ensure that the Group's concept of sustainable development is implemented in the core business operations and value chain management. The ESG working group is the coordinating body under the SDM committee. Its main tasks include: (1) collect, consolidate and report quarterly/annual performance of ESG core indicators to the SDM Committee; (2) keep abreast of the latest regulations and guidelines on ESG governance and information disclosure and update the SDM Committee in a timely manner to ensure that the SDM Committee can improve the relevant processes/governance structure as soon as possible to meet the regulatory requirements; (3) report to the SDM Committee on the requests of key stakeholders and assist in materiality assessment; (4) prepare ESG reports; and (5) understand, collect and provide feedback and suggestions from/to the execution departments to assist the SDM Committee in evaluating the progress of ESG work and the effectiveness of ESG risk management and internal control system.

The execution department of the Group's ESG work is the environmental protection office under the solar glass and solar farm businesses, with a dedicated position of environmental protection officer to ensure that all environmental protection indicators in the daily business operation meet or even exceed national or local standards. The supporting service departments serve as a bridge between the Group and its employees, the community and society, maintaining communication with stakeholder groups and reflecting their opinions in a timely manner.

In order to promote the ESG awareness and motivation among the management team and staff, the Group has included ESG-related elements, including safety, environmental protection performance and compliance, occupational health, etc., when setting annual performance indicators for management and relevant departments and staff, about 50% of the annual key performance indicator assessment for senior management is ESG-related, which included indicators related to long-term corporate sustainability goals.

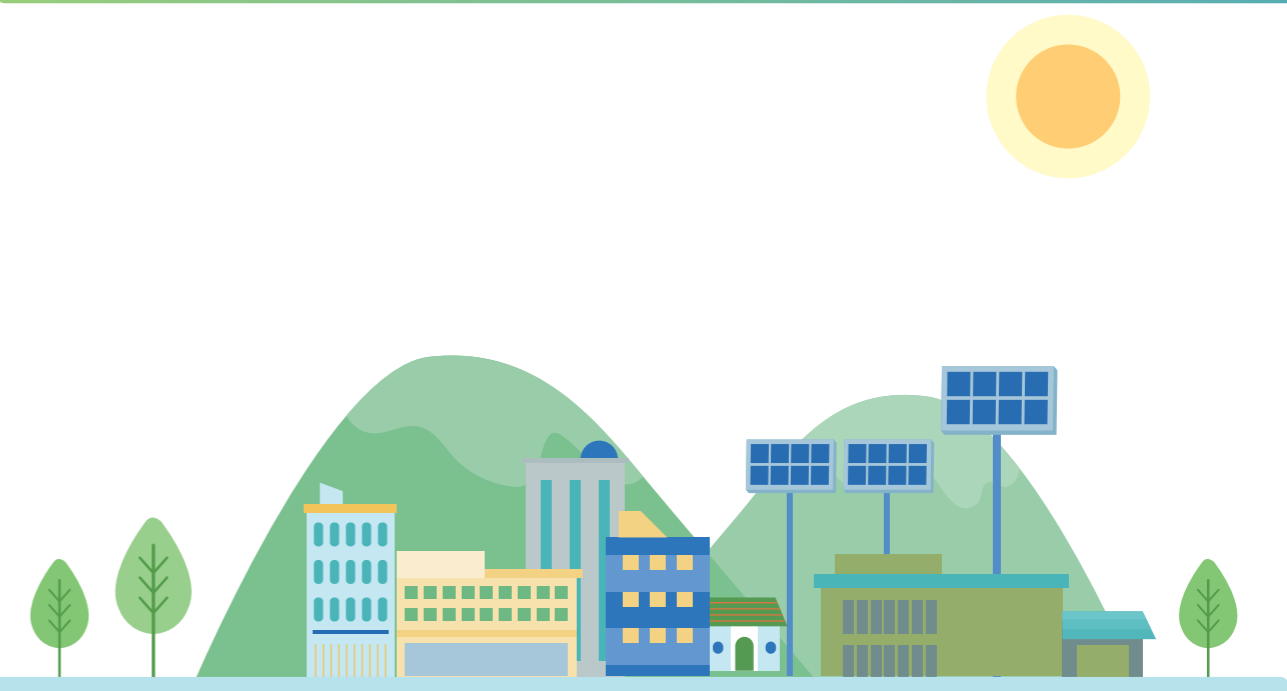


Law-abiding Business

During the Reporting Period, the Group strictly complied with the legal and regulatory requirements of the countries and regions where it operates in respect of environmental protection and pollution prevention, employment relations, corporate operation and governance, ensuring legal compliance in production and operation, and striving to achieve best practices in core aspects such as environmental protection, occupational safety and health, corporate governance and care for the society. During the Reporting Period, the major laws and regulations that had a significant impact on the Group in respect of environmental protection and pollution prevention, employment relations, corporate operation and governance are set out below. There were no material events relating to the Group's violation of these laws and regulations during the Reporting Period.

Environmental protection and pollution prevention	
Mainland China	Malaysia
<ul style="list-style-type: none"> Environmental Protection Law of the People's Republic of China Law of the People's Republic of China on Environmental Impact Assessment Regulations on Environmental Protection Management of Construction Project Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Law of the People's Republic of China on the Prevention and Control of Water Pollution Law of the People's Republic of China on the Prevention and Control of Pollution from Environmental Noise Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste Emergency Response Law of the People's Republic of China National Catalogue of Hazardous Wastes (2021 edition) Technical Guidelines on Formulating Emergency Emission Reduction Measures of Key Industries for Heavily Polluted Weather Conditions 	<ul style="list-style-type: none"> Environmental Quality Act 1974 Environmental Quality Act 1987 Environmental Impact Assessment (EIA): Procedure and Requirements in Malaysia (1990) Environmental Impact Assessment (EIA): Procedure and Requirements in Malaysia (1994)

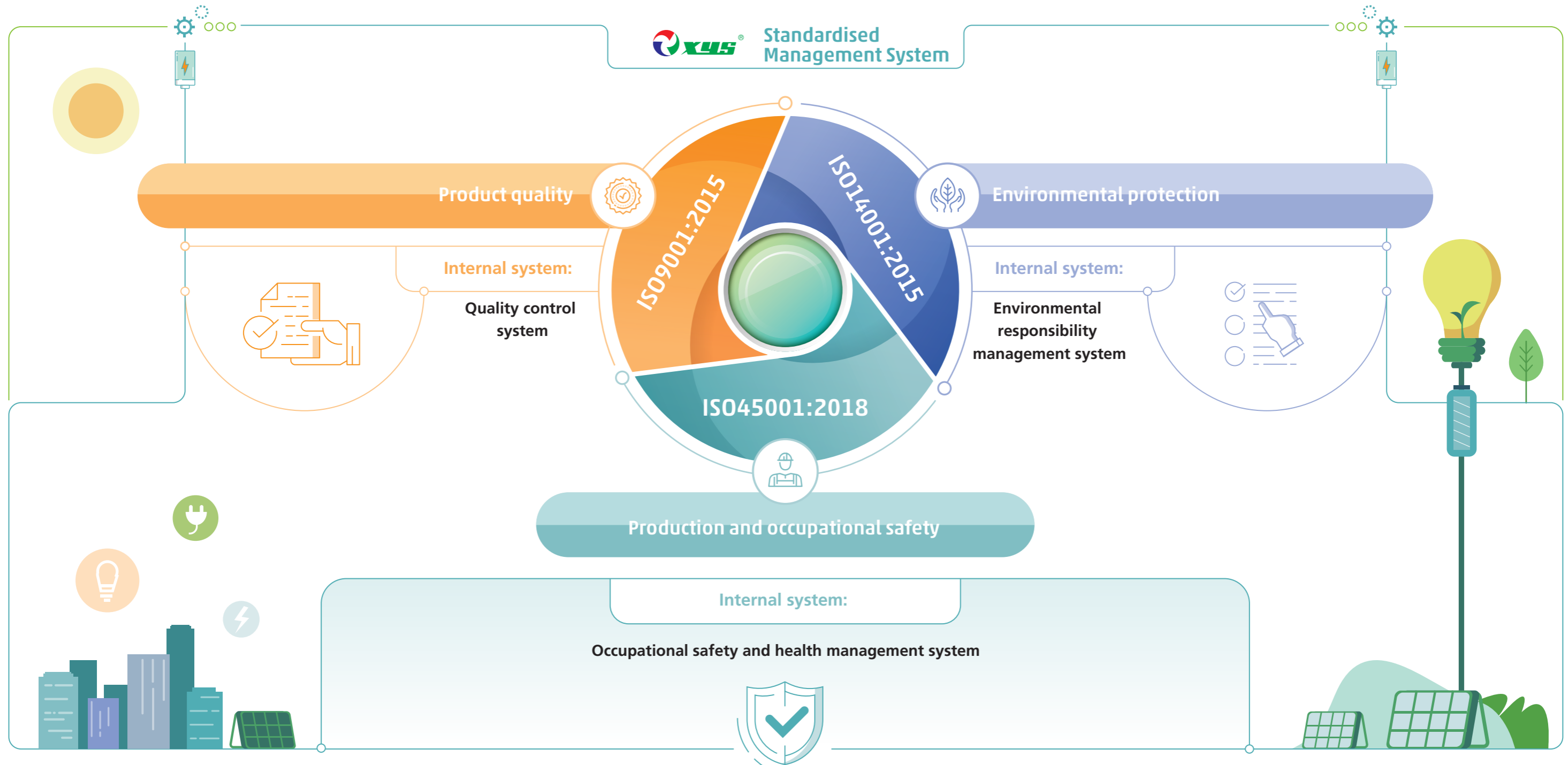
Employment relations	Corporate operation and governance
Mainland China	Mainland China
<ul style="list-style-type: none"> Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Law of the People's Republic of China on Work Safety Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases Provisions on the Prohibition of Using Child Labour Special Rules on the Labour Protection of Female Employees 	<ul style="list-style-type: none"> Product Quality Law of the People's Republic of China Criminal Law of the People's Republic of China (on relevant clauses relating to corruption, embezzlement, misappropriation of funds, bribery, etc.)
Hong Kong, China	Hong Kong, China
<ul style="list-style-type: none"> The Employment Ordinance 	<ul style="list-style-type: none"> Prevention of Bribery Ordinance
Malaysia	Malaysia
<ul style="list-style-type: none"> Employment Act 1955 Occupational Safety and Health Act 1994 Factory & Machinery Act 1967 	<ul style="list-style-type: none"> Anti-Corruption Commission Act 2009
Canada	
<ul style="list-style-type: none"> Canada Labour Code 	



Management System

The Group has established a "Three-in-One" standardised management system and obtained the certifications of Quality Management System (ISO9001:2015), Environmental Management System (ISO14001:2015) and Occupational Health and Safety Management System (ISO45001:2018) to ensure that the Group's management mode and monitoring mechanism for product quality control, environmental protection and management, production and occupational safety are in line with international standards.

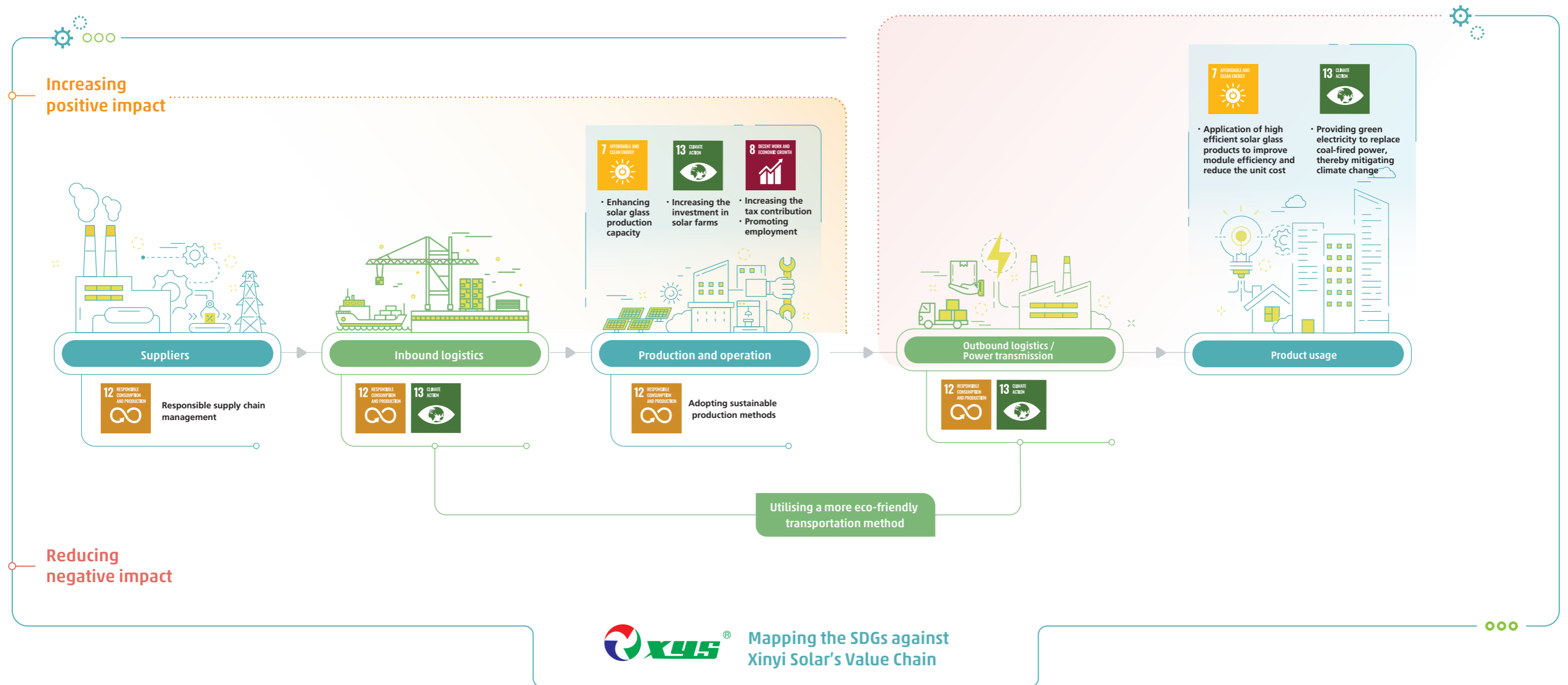
During the Reporting Period, the Group followed the standards and established internal procedures set out in the "Integrated Management Manual" of Xinyi Solar Group to effectively monitor work related to product quality, environmental governance and protection, resource utilisation, pollutant emission and management, production safety and occupational health to ensure that the interests of customers, ecology and social benefits as well as the safety and health of employees are fully protected while pursuing business development, and to fulfil its social corporate responsibility.



SDGs and Corporate Action

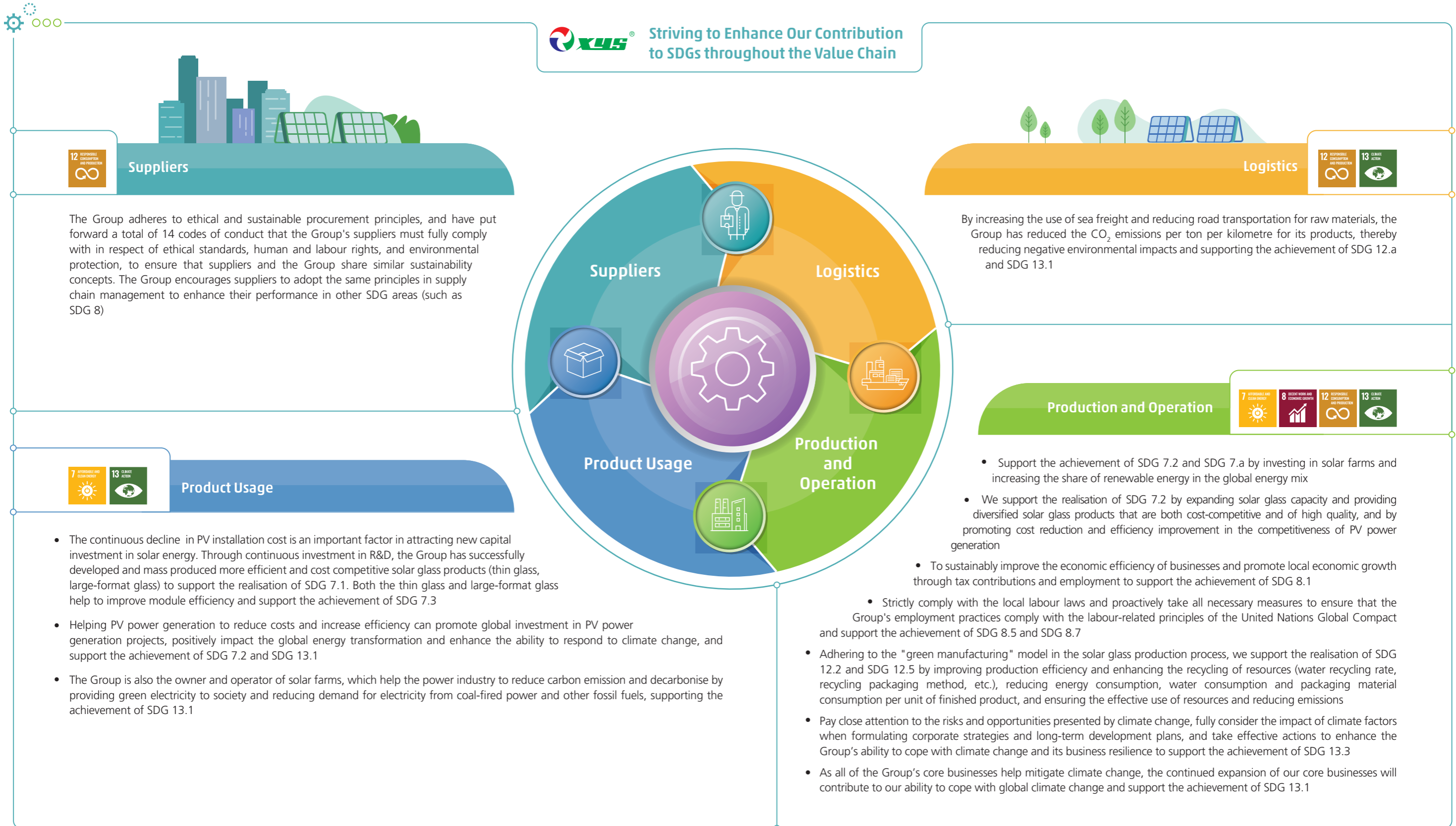
The United Nations calls on companies to take all necessary actions to maximise positive and minimise negative impacts on the 17 UN Sustainable Development Goals where they have the greatest influence. As there were no significant changes in the nature of the Group's core business, its operating model as well as the industries and regions/countries in which it operated during the Reporting Period, the SDGs impact analysis of the value chain disclosed in the Company's 2020 ESG Report can still adequately reflect the different segments along the value chain in which the Group has the most influence, and is consistent with the actual operations of the Group during the Reporting Period.

"Affordable and Clean Energy" (SDG 7), "Decent Work and Economic Growth" (SDG 8), "Responsible Consumption and Production" (SDG 12), and "Climate Action" (SDG 13) are the Group's highest priority sustainability development areas. During the Reporting Period and in the future, the Group has been or will be active in expanding positive impacts and reducing negative impacts through the following actions and will regularly review, adjust and disclose the areas where the Group has the greatest impact and the ways in which it affects the value chain:





Striving to Enhance Our Contribution to SDGs throughout the Value Chain



Suppliers

The Group adheres to ethical and sustainable procurement principles, and have put forward a total of 14 codes of conduct that the Group's suppliers must fully comply with in respect of ethical standards, human and labour rights, and environmental protection, to ensure that suppliers and the Group share similar sustainability concepts. The Group encourages suppliers to adopt the same principles in supply chain management to enhance their performance in other SDG areas (such as SDG 8)



Product Usage

- The continuous decline in PV installation cost is an important factor in attracting new capital investment in solar energy. Through continuous investment in R&D, the Group has successfully developed and mass produced more efficient and cost competitive solar glass products (thin glass, large-format glass) to support the realisation of SDG 7.1. Both the thin glass and large-format glass help to improve module efficiency and support the achievement of SDG 7.3
- Helping PV power generation to reduce costs and increase efficiency can promote global investment in PV power generation projects, positively impact the global energy transformation and enhance the ability to respond to climate change, and support the achievement of SDG 7.2 and SDG 13.1
- The Group is also the owner and operator of solar farms, which help the power industry to reduce carbon emission and decarbonise by providing green electricity to society and reducing demand for electricity from coal-fired power and other fossil fuels, supporting the achievement of SDG 13.1



Logistics

By increasing the use of sea freight and reducing road transportation for raw materials, the Group has reduced the CO₂ emissions per ton per kilometre for its products, thereby reducing negative environmental impacts and supporting the achievement of SDG 12.a and SDG 13.1



Production and Operation

- Support the achievement of SDG 7.2 and SDG 7.a by investing in solar farms and increasing the share of renewable energy in the global energy mix
- We support the realisation of SDG 7.2 by expanding solar glass capacity and providing diversified solar glass products that are both cost-competitive and of high quality, and by promoting cost reduction and efficiency improvement in the competitiveness of PV power generation
- To sustainably improve the economic efficiency of businesses and promote local economic growth through tax contributions and employment to support the achievement of SDG 8.1
 - Strictly comply with the local labour laws and proactively take all necessary measures to ensure that the Group's employment practices comply with the labour-related principles of the United Nations Global Compact and support the achievement of SDG 8.5 and SDG 8.7
- Adhering to the "green manufacturing" model in the solar glass production process, we support the realisation of SDG 12.2 and SDG 12.5 by improving production efficiency and enhancing the recycling of resources (water recycling rate, recycling packaging method, etc.), reducing energy consumption, water consumption and packaging material consumption per unit of finished product, and ensuring the effective use of resources and reducing emissions
- Pay close attention to the risks and opportunities presented by climate change, fully consider the impact of climate factors when formulating corporate strategies and long-term development plans, and take effective actions to enhance the Group's ability to cope with climate change and its business resilience to support the achievement of SDG 13.3
- As all of the Group's core businesses help mitigate climate change, the continued expansion of our core businesses will contribute to our ability to cope with global climate change and support the achievement of SDG 13.1

SDGs Corporate Action:

SDGs and Long-term Action Plan of Xinyi Solar

The Group has disclosed its five-year SDGs ("XSG") and long-term action plan for the first time in the ESG Report 2019, with encouraging performance on each of the goals related to climate action during the Reporting Period:

13

Climate Action





Reduce the carbon emission intensity of solar glass products (Completed)

XSG 1: Strive to reduce greenhouse gas emissions per unit of product by 13% by 2023 ^{Note 1}

- In 2021, the Group's greenhouse gas emissions per unit of product decreased by 6.8% year-on-year, decreased by 17.7% as compared to the base year
- If the effect of different percentages of thin glass production in different years is eliminated, the Group's greenhouse gas emissions decreased by 5.8% as compared to the base year ^{Note 2}
- During the Reporting Period, the Group established a carbon management team to work more systematically on carbon emission management and carbon reduction. As the Group's technological optimisation progress in energy efficiency management and production line energy consumption has exceeded expectations, the carbon management work team will evaluate and analyse the actual carbon emission data for 2021 and 2022 (taking full account of the advancement of new technologies), and then propose a new quantifiable carbon emission target in the next reporting period



Increase carbon emission reduction from solar power generation (Completed)

XSG2: Increase investment in renewable energy, aiming for a 40% increase in the corresponding carbon reduction from the annual power generation by the solar farms owned by the Group by 2023 ^{Note 1}

- In 2021, new grid-connected capacity of 580MW was added, and the annual carbon emission reduction increased by 32.3% compared to 2020, and by 48.2% compared to the base year
- Starting from 2021, China adopted a new mechanism to apply for and allocate solar farm project quota. Therefore, Xinyi Solar's annual newly installed PV capacity was affected by the project quota it had obtained in the previous year. In 2022, this mechanism will continue to be used for project quota application and allocation. Therefore, the Group will make a scientific assessment on the impact of the new mechanism on the scale development of the Group's solar farm business through the actual operating data in 2021 and 2022, and plan to propose new quantifiable carbon reduction targets in the next reporting period



Helping the world achieve carbon neutrality (Ongoing)

XSG3: Support most countries around the world to achieve carbon neutrality by 2050 by increasing solar glass production capacity and the scale of solar farm projects

- In 2021, the Group added four new solar glass production lines with a daily melting capacity of 1,000 tonnes each, increasing its effective annual melting capacity by 36.4%. Due to the current production technology of solar glass furnaces, it is temporarily impossible to produce without fossil fuels, so there are still carbon emissions during the production of solar glass. However, the carbon footprint of a single piece of solar glass used in the 182, 525W single glass module is less than 17KG and the green electricity generated by the module will result in approximately 12.5 tonnes ^{Note 3} of CO₂ emissions reduction over a 25-year life cycle. Therefore, the Group believes that solar glass production has a positive contribution to global climate mitigation and that the difference in carbon reduction from power generation and carbon emissions from production will further increase as modules become more efficient
- In 2021, the Group's solar farm projects generated 3.70 billion kWh of electricity, equivalent to a reduction of CO₂ emissions of approximately 3.075 million tonnes
- In 2021, the CO₂ emission reduction from the power generation of the Group's solar farms could offset 94.6% of the CO₂ emissions from solar glass production in the same period

Notes:

(1) Benchmarked against the relevant data of the base year (2018)

(2) If the below method is used (so as to eliminate the impact caused by the different percentages of thin glass production in different years), the target is to achieve a 2% reduction in greenhouse gas emissions per unit of product by 2023

- i) Calendering process: Use the actual product output (in tonnage) to calculate the greenhouse gas emissions per tonne of output, and then multiply it by the tonnage/area conversion factor in the base year to get the greenhouse gas emissions per square metre of output;
- ii) Deep processing: Use the actual product output (in square metre) to calculate the greenhouse gas emissions per square metre of output.

(3) Assuming annual utilisation hour of 1,148 hours



As a member of the PV industry, we have spared no effort to promote the global application of PV power generation to support global climate actions and related sustainable development goals. At the same time, we are committed to achieving better performance on other sustainable goals where we can make positive impact and reduce negative impact. Progress on the other XSG and KPIs, as well as on the long-term sustainability action plan for 2021, is disclosed below.

Priority SDGs areas XSG and long-term action plan Progress in 2021



Responsible Consumption and Production

XSG 4: Adopt strict standards to regulate and manage the emission of exhaust gas, and strive to surpass national standards

- The emission intensity indicators for the major air pollutants (SO₂, NO_x and smoke and dust) during the Reporting Period were all better than national and local standards of the countries where we operate
- In 2021, the total amount of air pollutants reduced and the efficiency of emission reduction improved:
 - ✓ SO₂, NO_x and smoke and dust emissions reduced by 6.4%, 13.1% and 48.9%, respectively
 - ✓ SO₂, NO_x and smoke and dust emissions reduction increased to 66.6%, 84.1% and 91.7%, respectively

XSG 5: Obtain and use water resources in a responsible and sustainable manner to further improve the utilisation rate of recycled water and strive to achieve zero waste except normal evaporation and sedimentation tank loss

- The utilisation rate of recycled water was 95.6%, representing an increase of 0.6 percentage points compared to 2020

XSG 6: Promote more environmentally friendly product packaging, and strive to adopt paperless packaging for 50% of our products by 2023

- The utilisation rate of paperless packaging was 34.4%

XSG 7: Conduct procurement in a responsible and sustainable manner and regulate supplier behaviour through quality, environmental protection and safety protocols

- Purchased from a total of 2,389 suppliers, 100% of which were qualified suppliers that complied with the Group's supplier development and management practices and met the standards in regular assessment

Priority SDGs areas XSG and long-term action plan Progress in 2021



Decent Work and Economic Growth

XSG 8: Protect the health and safety of employees with an ultimate goal of zero harm

- Work-related injury rate was 0.65
- Lost workdays ratio was 23.4
- During the Reporting Period, there were 2 fatal accidents involving the death of 2 employees, please refer to page 84 to 101 this report for relevant disclosure

XSG 9: Promote the development of mutual prosperity for the community and make positive contributions to the economy, environment and public welfare

- Generated direct economic value of HK\$16.46 billion
- Contributed economic value of HK\$13.28 billion to the community and upstream value chain, including charitable donations of HK\$72.915 million



Affordable and Clean Energy

XSG 10: Protect local natural resources and biodiversity while developing and building solar farms, and insist on building environmentally friendly solar farms

- Among the 540MW utility-scale solar farm projects newly added in 2021, all of them were fishery-PV/agricultural-PV power plants, achieving mutual prosperity for ecology, society and economy

Climate Action

The IPCC's newly released sixth assessment report shows that the climate crisis is now approaching the tipping point, and that without immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C is beyond reach. And we all understand that 1.5°C is not the optimal solution for mankind to achieve an ideal ecological environment, but the bottom line of whether mankind can still have a habitable earth and a future. UN Secretary-General António Guterres said the next decade is critical, and efforts to switch to renewable energy must now increase twofold.

As a leading enterprise in the PV industry, we recognise that the actions taken and expected to intensify as a result of the climate change and the global response to climate change over the next decade will present unprecedented opportunities for our core businesses. The impact of climate change on the ecological environment and the ensuing climate risks pose new challenges to how we identify, manage and respond to climate risks, continuously enhance our business resilience, and improve resilience to the physical risks of climate change.

Climate Scenarios and Risk Parameters

The Group has developed internal scenarios applicable to the Group's analysis and assessment of climate risks and opportunities for its business development based on the climate scenarios made publicly available by the IEA's "Net Zero by 2050: A Roadmap for the Global Energy Sector" ("IEA Roadmap"), the IPCC Sixth Assessment Report Working Group I report ("IPCC AR6 WG 1"), and the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS").

Referenced by public scenarios:

	Neutral Scenario	Positive Scenario (<2 °C)	Ideal Scenario (1.5 °C)
Physical Environment Reference: IPCC AR6 WG 1	• IPCC-SSP2-4.5	• IPCC-SSP1-2.6	• IPCC-SSP1-1.9
Social and Economic Environment Reference: IPCC AR6 WG 1 and IEA Roadmap	• IEA-STEPS Stated policies scenario	• IEA-APC Announced pledges scenario	• IEA-NZE Net zero emissions by 2050 scenario
Energy Environment Reference: IEA Roadmap and NGFS	• NGFS-NDCs	• NGFS- Below 2°C	• NGFS- Net Zero 2050

Physical environment:

	Neutral Scenario	Positive Scenario (<2 °C)	Ideal Scenario (1.5 °C)
Average Global Warming	• Approximately 2°C before 2060 and approximately 2.7°C before 2100	• Approximately 1.7°C before 2060 and approximately 1.8°C before 2100	• Approximately 1.6°C before 2060 and approximately 1.4°C before 2100
Average Global Sea Level Rise	• Reaching 0.4 metres before 2065 and reaching 0.66 metres before 2100	• Reaching 0.3 metres before 2065 and reaching 0.5 metres before 2100	• Below 0.3 metres before 2065 and below 0.5 metres before 2100
Extreme Heat Weather (Once in 10 Years)	• Frequency per 10 years is between 5.6-9.4 times, and the maximum temperature rise is between 2.6-5.1°C	• Frequency per 10 years increasing to 5.6 times, and the maximum temperature increasing by 2.6°C	• Frequency per 10 years increasing to 4.1 times, and the maximum temperature increasing by 1.9°C
Extreme Heat Weather (Once in 50 Years)	• Frequency per 50 years is between 13.9-39.2 times, and the maximum temperature rise is between 2.7-5.3°C	• Frequency per 50 years increasing to 13.9 times, and the maximum temperature increasing by 2.7°C	• Frequency per 50 years increasing to 8.6 times, and the maximum temperature increasing by 2.0°C
Extreme Precipitation Weather (Once in 10 Years)	• Frequency per 10 years is between 1.7-2.7 times, and the intensity increasing between 14.0-30.2%	• Frequency per 10 years increasing to 1.7 times, and the intensity increasing by 14.0%	• Frequency per 10 years increasing to 1.5 times, and the intensity increasing by 10.5%

The Hong Kong Stock Exchange also published the "Guidance on Climate Disclosure" in November 2021, which set out new requirements on climate-related disclosures for Hong Kong listed companies. Based on the disclosure of key climate risks and opportunities in the 2020 ESG Report, the Group has made disclosures in this report on the regulation of climate issues, formulation of climate scenarios, identification of significant physical and transformational risk parameters, risk identification based on different climate scenarios, financial impact of climate risks (qualitative analysis), and climate opportunity, and will progressively improve the disclosure of climate information to fully comply with the TCFD recommendations over the next three years in order to update and meet the regulatory requirements of the Hong Kong Stock Exchange for mandatory disclosure in 2025.

The Group adopted the same structure as ESG governance for the governance of climate-related risks and opportunities. The Board is the highest governance body responsible for formulating the Group's climate strategies and policies, establishing internal mechanisms for climate management, and overseeing the management of climate-related affairs by the SDM Committee. The SDM Committee, under the supervision of the Board, guides and coordinates various business departments to ensure that the Group's climate strategy is incorporated into daily operations, monitors the progress of climate-related goals and actions, and reports regularly to the Board on the work and progress of climate-related issues. The ESG working group provides regular updates to the SDM Committee on the progress of climate actions, and climate goals, and the latest changes in the identified physical and transition risk parameters.

Social and Economic Environment:

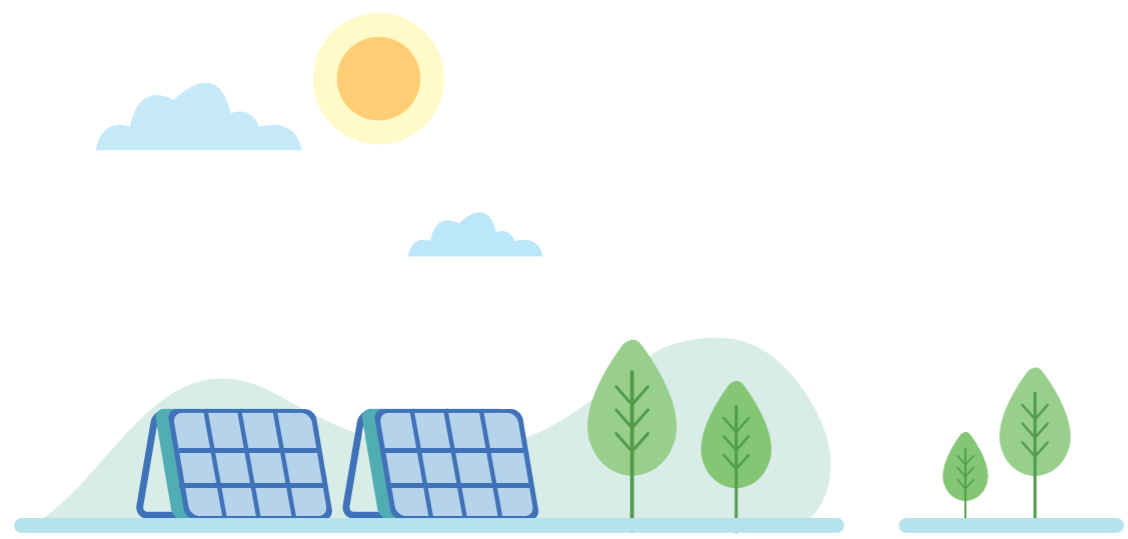
	Neutral Scenario	Positive Scenario (<2 °C)	Ideal Scenario (1.5 °C)
<p>Economic Development</p>	<ul style="list-style-type: none"> Advanced economies will still achieve 75% growth in economic output over the next 30 years with a 5% decline in energy use. However, the economic output of emerging market and developing economies is still linked to energy consumption. In the next 30 years, economic output will double and energy use will increase by 50% 	<ul style="list-style-type: none"> Achieving more inclusive economic development that respects the perceived environmental boundaries 	<ul style="list-style-type: none"> The economy will achieve decarbonised growth, and the global economy will expand more than triple in the next 30 years, but the total global energy will be close to the 2010 level by 2050
<p>Climate Policies</p>	<ul style="list-style-type: none"> Maintaining specific climate policies currently in place and announced 	<ul style="list-style-type: none"> Introducing and implementing climate policies that match all country-level net zero commitments 	<ul style="list-style-type: none"> Introducing and implementing more stringent climate policies that go well beyond current national level net zero commitments, particularly for carbon reduction and decarbonisation of energy sector
<p>Policy Implementation and Carbon Reduction Expectation</p>	<ul style="list-style-type: none"> Global CO₂ emissions have been improved only slightly in recent trends, with a shift to renewable energy in the power sector leading to an earlier peak in emissions, but overall carbon reduction across all sectors fall well short of 2050 net zero emissions requirements 	<ul style="list-style-type: none"> Net zero commitments committed by all countries will be achieved on time, but it will not yet meet the requirements of 2050 net zero emissions 	<ul style="list-style-type: none"> Countries voluntarily raise their targets based on current Nationally Determined Contribution and net zero commitments All regions will introduce a wide range of energy policies and supporting measures to reduce emissions, including mandatory development of renewable fuels, energy efficiency standards, etc. CO₂ pricing will be implemented in all regions, especially for power generation, industry and energy production sectors in advanced economies Ultimately limiting global temperature rise to 1.5 °C through comprehensive decarbonisation of the global energy sector with a corresponding reduction in GHG emissions from sectors outside the energy sector, with a 50% chance of avoiding temperature rises above 1.5 °C in the process
<p>Common Business Model</p>	<ul style="list-style-type: none"> Still unable to eliminate the reliance on fossil energy. In the next 30 years, the final energy consumption will increase by 1% annually, most of which will be fulfilled by electricity and natural gas Total industrial energy consumption continues to grow, dominated by electricity and natural gas 	<ul style="list-style-type: none"> From economic reliance on fossil fuels to one driven by renewable energy, electrification of energy end-uses The main source of carbon dioxide emission reduction is from the power sector, which is expected to reduce the global carbon emissions by 60% in the next 30 years Carbon emissions in global industrial sector will decrease by 25% 	<ul style="list-style-type: none"> Global CO₂ emissions from energy-related and industrial processes will decrease by 40% over the next 10 years and reach net zero by 2050 Universal access to sustainable energy will be achieved by 2030. Before 2030, about 50% of global emissions reduction come from energy efficiency, wind and solar energy, and in the following 20 years after 2030, electrification, hydrogen use and carbon capture technology will contribute more than 50% of carbon reduction
<p>Commitment Level</p>	<ul style="list-style-type: none"> Most enterprises do not make climate commitments, but leading enterprises set science-based carbon targets at stakeholders' request 	<ul style="list-style-type: none"> Enterprises make climate action commitments 	<ul style="list-style-type: none"> Most enterprises set science-based carbon target and strive to implement

Energy Environment:

	Neutral Scenario	Positive Scenario (<2 °C)	Ideal Scenario (1.5 °C)
<p>Energy Structure</p>	<ul style="list-style-type: none"> Average annual growth in final energy consumption of 1%, mostly met by electricity and natural gas, with renewable energy accounting for 25% by 2050 Total industrial energy consumption continues to grow, with electricity and natural gas accounting for over 50% Natural gas demand grows until 2050, from 3.9 trillion cubic metres in 2020 to 5.7 trillion cubic metres in 2050 	<ul style="list-style-type: none"> Renewable energy account for 35% of total energy supply by 2050, mainly replacing coal and oil Global shift from fossil fuels to electricity, renewable energy and hydrogen, with electricity share increasing from 20% at present to 30% by 2050 Natural gas will increase from 3.9 trillion cubic metres in 2020 to 4.35 trillion cubic metres in 2025, then flat to 2050 	<ul style="list-style-type: none"> Global annual capacity additions of solar PV will reach 630GW until 2030, which are 4.7 times greater than that of 2020 Total final energy consumption will decrease by 1% annually on average between 2025 and 2050, mainly due to energy efficiency measures and electrification Final electricity consumption will increase to 25% between 2020 and 2030 and double the 2020 level by 2050 Renewable energy supplies 2/3 of energy use in 2050, renewable energy and nuclear energy replace most of the fossil energy, and the proportion of fossil fuels will drop to slightly more than 20% by 2050 Natural gas will decline by 3% annually for the next 30 years
<p>CO₂ Emissions</p>	<ul style="list-style-type: none"> Rise from 34 Gt in 2020 to 36 Gt in 2030, then keep constant up to 2050 	<ul style="list-style-type: none"> Global CO₂ emission will decrease by 10% to 30 Gt in 2030, in 2050 it will decrease by 35% to 22 Gt compare that of 2020 	<ul style="list-style-type: none"> Global CO₂ emission from energy-related and industrial manufacturing processes will decrease to around 21 Gt in 2030, reaching net-zero emissions by 2050 CO₂ emission of advanced economies will achieve net zero emission in 2045
<p>Carbon Price (USD/tCO₂)</p>	<p>Weighted global average price:</p> <ul style="list-style-type: none"> ≤10 until 2030 ≈25 in 2050 	<p>Weighted global average price:</p> <ul style="list-style-type: none"> ≈50 in 2025 ≈80 in 2030 ≈200 in 2050 	<ul style="list-style-type: none"> ≈45 in China in 2025 (≈75 in advanced economies) ≈90 in China in 2030 (≈130 in advanced economies) ≈200 in China in 2050 (≈250 in advanced economies)

Based on the analysis of the above climate scenarios, the Group believes that the probability and impact of physical risks will decrease neutral scenario to positive scenario to ideal scenario, while the probability and impact of transition risks will increase. Therefore, the Group identified relevant physical risk parameters in neutral and positive scenarios and identified relevant transitional risk parameters in positive and ideal scenarios:

	Neutral Scenario	Positive Scenario (<2 °C)	Ideal Scenario (1.5 °C)
Physical Risk Parameters	<ul style="list-style-type: none"> Number of extreme heat days throughout the year Annual precipitation days (compared with annual power generation tracking) Number of extreme weather days throughout the year (typhoons, floods etc.) and direct economic losses, such as equipment replacement, insurance, etc. Baseline water pressure at the location of the business 		/
Transition Risk Parameters	/	<ul style="list-style-type: none"> Carbon price (carbon trading price in China, carbon tax policies and prices in Europe and other regions) Global annual PV installations China's Industrial Energy Efficiency Control Policy (Industrial/Glass Manufacturing Energy Consumption Requirements) China's Environmental Management and Control Policies China's Energy Consumptions Management and Control Policies 	



Major Climate Risks and Responding Actions

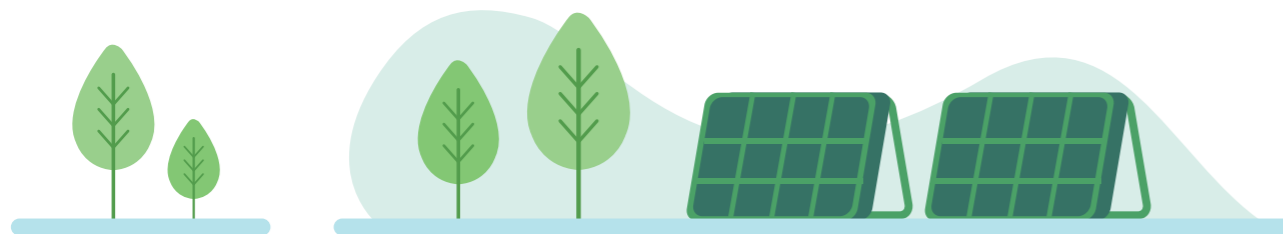
Based on a neutral scenario, climate risks with a high probability of occurrence and having an impact on the Group's business and/or finances are mainly physical risks:

Risk Level	Specific Climate Risks	Potential Business Impact	Potential Financial Impact	Climate Action
<ul style="list-style-type: none"> Acute Physical Risks 	<ul style="list-style-type: none"> Increased frequency and severity of extreme weather events such as hurricanes and floods (due to extreme precipitation) 	<ul style="list-style-type: none"> Solar Farm Business: <ol style="list-style-type: none"> May cause damages to PV modules, which in turn may cause malfunction of solar power generation system or affect the power generation efficiency; Increasing the risks of operation and maintenance, and having impact on employees' safety and health May affect the progress of project development and construction Solar Glass Business: <ol style="list-style-type: none"> May affect logistics, affecting raw material supply and product shipments May affect the construction progress of the project 	<ul style="list-style-type: none"> Solar Farm Business: <ol style="list-style-type: none"> Impairment on assets due to early disposal of equipment Increased operation costs due to equipment failure Income reduction due to affected power generation efficiency Increased capital expenditure, the scale and time of grid connection of new solar farm projects may also affect income performance for the year Solar Glass Business: <ol style="list-style-type: none"> Increased transportation costs Increased capital expenditure, may affect income performance for the year due to slowdown of capacity expansion 	<ul style="list-style-type: none"> We have evaluated the probability and impact of climate risks with reference to historical data, giving due consideration of extreme weather risks in designs of solar farm projects, and used solar modules and auxiliary materials with higher protection performance to improve the solar farms' capability of responding to extreme weather We have conducted centralised and 24-hour remote monitoring via the electronic monitoring platform to effectively identify, deal with abnormal conditions in a timely manner and reduce economic losses The Group has controlled and reasonably arranged procurement, to ensure the stable supply of raw materials that are critical for production, without being affected by short-term extreme weather or transportation conditions Enhancing the integrated transportation capacity of water and land transportation The Group has enhanced the safety awareness of construction workers in implementing the safety technical specifications and operating procedures through training. We have strengthened construction quality and safety risk control and emergency response in extreme weather conditions
<ul style="list-style-type: none"> Long-term Physical Risks 	<ul style="list-style-type: none"> Changes in precipitation patterns (increased rainy weather) Increase in average temperature (increased frequency of extreme hot weather) 	<ul style="list-style-type: none"> Continuous rainy weather will reduce power generation during the period The duration of Workshop/outdoor operation needs to be controlled in hot weather, and working in high-temperature environments may adversely affect the work efficiency and health of employees 	<ul style="list-style-type: none"> Income reduction Increased costs (such as the use of air conditioners and environmental protection equipment increases the cost of electricity, the high temperature causes a large amount of water evaporation and thus increase the cost of water, flexible scheduling, equipping with protective equipment and medicines, and high temperature allowances increase labour costs, etc.) 	<ul style="list-style-type: none"> Power generation efficiency of solar farms has been improved through efficient operation and maintenance to offset certain impact brought by continuous rainy weather Cooling measures have been formulated for high-temperature weather, including adjustment on operation arrangements, control of working hours, provision of heatstroke prevention items and drugs to ensure employees' health

Based on the positive and ideal scenarios, climate risks with a high probability of occurrence and having an impact on the Group's business and/or finances are mainly transition risks, especially under the ideal scenario:

Risk Level	Specific Climate Risks	Potential Business Impact	Potential Financial Impact	Climate Action
<ul style="list-style-type: none"> Policy, Law and Regulation 	<ul style="list-style-type: none"> Increase in carbon price (carbon emission trading) 	<ul style="list-style-type: none"> The industry to which solar glass belongs will be included in China's national carbon trading market in the foreseeable future. Since Xinyi Solar's carbon emission per unit of finished product consistently maintain an industry-leading level and have recorded a year-on-year decrease, if the current allocation mechanism (based on industry benchmarks/historical intensity declines) is used, even if it is included in the carbon trading market, the business will not be substantially affected Under the ideal scenario, the IEA expects China's carbon cost to rise to US\$200/tonnes by 2050 (the closing price of China's carbon emission rights market is only RMB54.22/tonnes in the first compliance cycle in 2021). Therefore, based on the future assumption of rising carbon prices, the group must take more active measures to reduce carbon emissions or achieve decarbonised production through the research and development of furnace technology 	<ul style="list-style-type: none"> No material financial impact expected under the current mechanism Under ideal scenarios, increase R&D costs, capital expenditures (transition to low carbon/decarbonisation furnace technology) or, if unsuccessful, lead to higher production costs (carbon costs) 	<ul style="list-style-type: none"> The Group set up a carbon management team in 2021 to improve its carbon emission management work and collect its carbon emission data for purpose of setting future scientific-based carbon emissions reduction targets (SBTi) The Group reduces carbon emission per unit by improving production efficiency and yield rate. In 2021, carbon emission per unit of finished product decreased by 6.8% year-on-year and completed XSG 1 ahead of schedule To explore the feasibility of low carbon/decarbonisation furnace technology (e.g., hydrogen energy application) and increase investments in the R&D
	<ul style="list-style-type: none"> Strengthening energy efficiency and environment protection regulation 	<ul style="list-style-type: none"> China implements a dual control system for energy consumption, requiring each province to reduce energy consumption per GDP during the 14th Five-Year Plan period. Since solar glass is an industry with high energy consumption, the increase of solar glass production capacity is limited by energy consumption quotas in different provinces China has strengthened its control over the production capacity of the solar glass industry, requiring that from 2022, all new solar glass production lines must go through expert hearings to prove the advanced level of the project in terms of economy, technology and environmental protection indicators 	<ul style="list-style-type: none"> Increased capital expenditures (environmental protection equipment etc.) Expected income performance may be affected due to uncertainties of product expansion plans and longer expansion cycle Increased costs (e.g., environmental protection equipment operation, rising market prices for electricity and raw materials) 	<ul style="list-style-type: none"> The Group possesses the capability to expand overseas, it will not be limited by the policy control in China in the long run The Group's performance in energy efficiency and environmental protection has maintained an industry-leading level, and the intensity indicators have declined every year. Therefore, compared with its peers, the Group has more advantages in competing for capacity expansion quota, and can maintain its advantages through continuous energy conservation and emission reduction measures in the future The Group has sufficient reserve capacity with pipeline capacity of more than 10,000 tonnes/day for future expansion

Risk Level	Specific Climate Risks	Potential Business Impact	Potential Financial Impact	Climate Action
Technology	<ul style="list-style-type: none"> Transition to lower emission technologies 	<ul style="list-style-type: none"> Under the ideal scenario, global CO₂ emissions from energy-related and industrial processes fall by 40% over the next 10 years, which may require current high-energy-consuming industries to reduce carbon emissions as soon as possible through increased investment in R&D At present, the production technology of solar glass furnace still relies heavily on fossil fuels. Therefore, if the policy becomes stricter, the Group may need to increase R&D investment, and change the production technology to achieve decarbonised production 	<ul style="list-style-type: none"> Increased R&D costs Increased capital expenditure (e.g., new furnaces replacing old capacity) Impairment losses on assets (early disposal of existing production lines/equipment) 	<ul style="list-style-type: none"> The Group is the only corporation in the solar glass industry that has its own research institute and has been a leader in the industry in terms of technology and new product development. So even it needs to transform to a lower-carbon technology under the ideal scenario, it will face lower risks than peers, and has a greater probability of achieving technological breakthroughs first
Market	<ul style="list-style-type: none"> Product carbon footprint certification (carbon tax) 	<ul style="list-style-type: none"> The EU plans to impose carbon border tariffs in 2026, and in the ideal scenario, CO₂ pricing is expected to be implemented in all regions, so it's expected that products sold to markets such as Europe will be affected in the medium term. In the long run, more and more markets will follow suit 	<ul style="list-style-type: none"> Increased costs (including the use of cleaner energy such as green electricity, carbon costs) 	<ul style="list-style-type: none"> As solar glass production cannot currently be produced through low-carbon/zero-carbon energy, this is a common problem to the whole industry. Moreover, as the Group's energy consumption per unit of finished product is at an industry-leading level, and is one of the few companies in the industry that only use natural gas as a production fuel, the carbon emission per unit of finished product is lower than that of the industrial average and the cost pressure brought by the transition risks will be lower Gradually expand production to provinces where the local power and energy mix is cleaner. For example, the Group will expand production in Yunnan Province in the future. More than 80% of the local power supply comes from renewable energy, which is helpful for product carbon footprint certification
Reputation	<ul style="list-style-type: none"> Trade disputes 	<ul style="list-style-type: none"> Climate change has driven global enthusiasm for investment in renewable energy, and countries have also strengthened protection of local companies, intending to promote the development of local solar manufacturing industries. However, since the production capacity of China and Chinese manufacturers has accounted for more than 98% of the global solar glass production capacity, trade disputes not expected to have a substantial impact on the operation 	<ul style="list-style-type: none"> Increased costs 	<ul style="list-style-type: none"> The Group has production base in overseas, possesses the capability to expand overseas, which can effectively spread risk and reduce impact



Climate Opportunities

According to the IEA Roadmap, substantial carbon reductions in the global energy sector must be achieved over the next decade if global temperature increase is to be limited to 1.5°C, so annual solar PV installations will need to reach 630GW by 2030, which is 4.7 times of the 134GW of new installations in 2020. This forecast represents an annual compound growth rate of 16.74% for new PV installations over the period from 2020 to 2030. If the Group maintains its current market share and does not consider the positive impact of the increase in thin glass penetration on the demand for solar glass, the Group will need to increase the daily melting capacity of its solar glass production lines from 13,800 tonnes at the end of 2021 to 55,000 tonnes or more at the end of 2030, which is four times of its current production capacity. As the Group hopes to capture the opportunities arising from the demand growth in global PV installations and continue to increase its market share, if we assume that our market share increases to 40% or more, the Group needs to increase its daily melting capacity to over 60,000 tonnes by the end of 2030, which represents a compound annual growth rate of 17.8%.

The biggest difference between the IEA's 2050 Net Zero Emissions Pathway Outlook and the 1.5°C scenario presented in IRENA's "World Energy Transitions Outlook - 1.5°C Pathway", which is referenced in the Group's 2020 ESG report, is the time frame. Under the IRENA scenario, there is no clear short-term installation targets, but it is expected that within a 30-year cycle, the cumulative PV installation capacity will gradually increase from less than 800GW by the end of 2020 to 14,000GW by the end of 2050, corresponding to an average annual new installation capacity of 440GW. However, based on the IPCC Sixth Assessment Report, if we cannot grasp the next decade and take several times the current efforts, that is, more aggressive actions than the announced net zero targets so far, to vigorously promote renewable energy development, we will lose the opportunity to limit the temperature increase to 1.5°C. At the same time, we also see that the Chinese Government is taking more rigorous control over energy consumption, and the high energy-consuming industries will face a tougher regulatory environment for future capacity expansion. As a result, we believe that **the next five years will be a critical growth period for the PV industry, and for the solar glass industry in particular**, based on both United Nations climate data and policy trends in the locations where we mainly operate.


The Group has adopted an aggressive capacity expansion plan from 2020 onwards to increase the total daily melting capacity from 7,800 tonnes at the end of 2019 to 13,800 tonnes at the end of 2021, representing a compound annual growth rate of over 33%. The Group will continue to maintain an aggressive expansion plan so as to achieve a faster scale growth than the global PV capacity growth.

In view of the Group's strengths in research and development, technology, products and cost control accumulated in its previous operations, notwithstanding the more volatile and uncertain environment in the industry from 2021 onwards, because PV power generation is critical to the success or failure of global climate action, as the global leader in the solar glass industry, the Group will bear in mind its corporate mission of "leading green new energy" and firmly adhere to its aggressive expansion strategy. We also believe that we can seize the opportunities brought by climate change and achieve growth in both scale and efficiency.





SUSTAINABLE BUSINESSES



As the world's largest solar glass manufacturer, we are responsible for finding a more low-carbon and environmentally friendly green production method for solar glass production, from "manufacturing green" to "green manufacturing". We not only focus on the environmental benefits of our own production process, but also hope to realise the sustainable development of solar glass value chain by bringing together the strengths of the upstream and downstream value chain. As for another core business of the Group, we insist on developing, constructing and operating solar farm projects in an environmentally friendly manner in pursuit of achieving a win-win situation for ecological, economic and social benefits.

Focus Areas and Objectives



Green Manufacturing (Environmental Governance of Solar Glass Production Process)

Energy saving: Reduce energy consumption intensity, water consumption intensity and other resources (such as packing materials) per unit of finished solar glass products to achieve efficient use of resources;

Emission reduction: Strive for greenhouse gas emissions, air pollutants emissions, hazardous and non-hazardous waste treatment and sewage discharge that are better than national and local standards, and reduce the unit emissions of various types of emissions year by year



Product Lifecycle Management (Including Value Chain Management)

Based on the Group's current product management and value chain management model, we are exploring a sustainable lifecycle management model for solar glass products, taking into account possible policy and market trend changes;

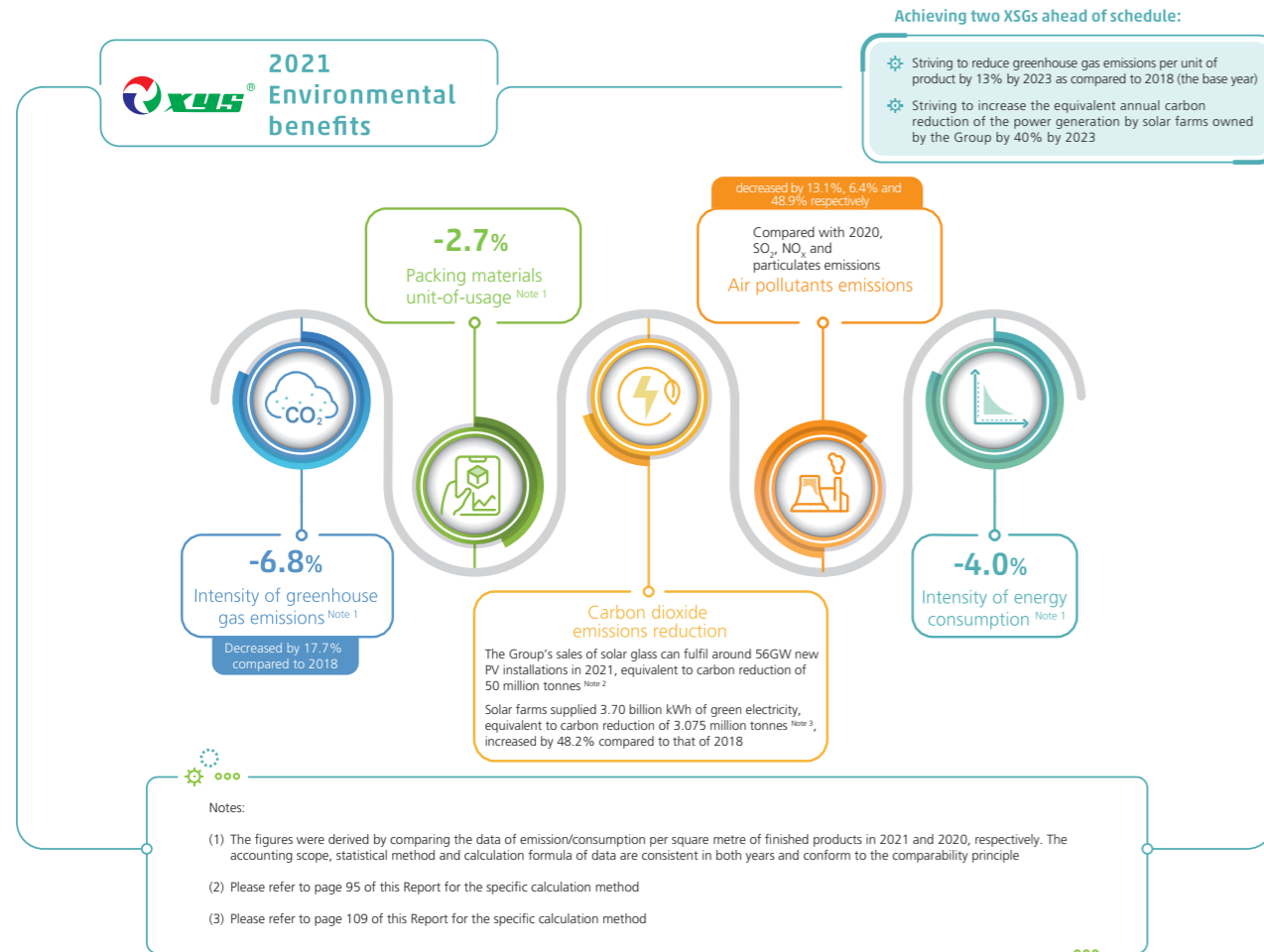
Insist on green supply chain management and provide customers with green products with higher environmental efficiency, share the Group's sustainable development concept with the value chain, and promote the adoption of a more environmentally friendly and responsible business operation model to the upstream and downstream of the value chain



Symbiosis and Coexistence Development Model (Ecological and Social Benefits of Solar Farm Business)

Continuously increase the installed capacity of solar farms to achieve continuous growth in annual carbon reduction. Insist on the development model of "coexistence with society and the environment" to maximise the ecological, economic and social benefits of solar farm projects

Green Manufacturing



Environmental Compliance

The Group complies with the environmental laws and regulations of the countries and regions in which it operates, and has established and continuously optimised its internal environmental responsibility management system in compliance with the ISO14001 environmental management system standard. The Group has obtained the green finance pre-issuance stage certificate issued by the HKQAA in 2019. Subsequent additions of the solar glass production sites also implement the same environmental management and protection practices, and therefore all the solar glass production bases of the Group in operation met the requirements of the HKQAA's Green Finance Certification Scheme.

The Group has established PV environmental protection office, which is responsible for coordinating and managing all environmental management-related activities in the production of solar glass. The PV environmental protection office updates the ESG working group on a quarterly basis on the performance of environmental-related core indicators, and proposes feasible proposals for the optimisation and improvement of the core indicators to assist the SDM Committee in monitoring the environmental management-related work of solar glass business. The Group has also established the position of environmental protection officer to maintain good communication with environmental protection regulatory authorities and keep abreast of the latest environmental protection policies and regulatory

requirements to ensure that all environmental protection indicators are in compliance with national and local standards. The Group also undergoes regular external audits by certification bodies (e.g. TÜV SÜD) to ensure that the Group's environmental management system continues to meet international standards.

Green Production Base

As solar glass production involves the consumption of energy (natural gas and electricity), water resources, raw materials (such as soda ash, ultra-clear silica sand) and other resources (such as packaging materials, wood, paper and plastic strips etc.), the production processes generate greenhouse gases, air pollutants, hazardous and non-hazardous wastes and sewage and other pollutants. During the Reporting Period, the standard environmental protection facilities and the environmental protection practices implemented at the Group's solar glass production bases were as follows:


Environmental goals	Environmental facilities/ Environmental practices	Specific environmental performance indicators
<p>Reduce greenhouse gas emissions</p>	Use of clean energy (natural gas)	To reduce scope 1 greenhouse gas emissions
	Residual heat power generation equipment to reduce purchased electricity <small>Note 1</small>	To reduce scope 2 greenhouse gas emissions
	Rooftop distributed PV power generation system to reduce purchased electricity <small>Note 1</small>	To reduce scope 2 greenhouse gas emissions
<p>Reduce air pollutants</p>	Desulphurisation device	To reduce SO ₂ emissions
	SCR denitrification device	To reduce NO _x emissions
	Electrostatic precipitator	To reduce particulates emissions
<p>Improve utilisation of water resources</p>	Water recycling system (sewage treatment and recycling system)	To reduce new water intake by using recycled water in production
<p>Improve resources efficiency</p>	Regular maintenance and energy-saving upgrades	To reduce energy and resources consumption per unit of finished products by improving production efficiency and yield rate
<p>Effective waste management</p>	Waste recycling facilities	To reduce hazardous and non-hazardous waste emissions

Note:

(1) Purchased electricity is mainly coal-fired power, which causes greater environmental pollution

Energy and Water Resources Management

According to the definition of direct energy consumption accounting scope in the Hong Kong Stock Exchange's "Reporting Guidance on Environmental KPIs", the Group's direct energy consumption mainly includes fuel used in the production of solar glass, electricity generated from residual heat power generation system and distributed PV generation equipment and used for solar glass production, and diesel used in forklifts and gasoline used in motor vehicles. Indirect energy consumption mainly includes purchased electricity used in the processing, stacking, transportation and loading processes. The Group has adopted the following measures to achieve emission reduction at source and to continuously improve energy efficiency in the production process:

Measures	Environmental benefits of the relevant measures	Performance in 2021
 <p>Use natural gas as the primary source of energy</p>	Heavy oil and natural gas are the two most commonly used production fuels in solar glass production. With the same amount of calorific value provided to the furnaces, the carbon emission of natural gas is 27% ^{Note 1} lower than that of heavy oil. To reduce carbon emissions at source, the Group has chosen natural gas as its primary production fuel	<ul style="list-style-type: none"> The Group continued to use natural gas as its primary production fuel during the Reporting Period Scope 1 greenhouse gas emissions per unit of finished goods (calculated by square metres) decreased by 7.2% year-on-year
 <p>Replace diesel forklifts with electricity forklifts</p>	The use of electric forklifts instead of diesel forklifts can reduce the amount of diesel used in the production process, thus reducing air pollutants and scope 1 greenhouse gas emissions	<ul style="list-style-type: none"> Total diesel fuel consumption decreased by 7.4% year-on-year Nitrogen oxides emissions and smoke and dust emissions decreased 13.1% and 48.9% year-on-year, respectively
 <p>Provide part of the electricity for its production through residual heat power generation and rooftop distributed PV power generation</p>	Reduce the use of purchased electricity, which will in turn reduce scope 2 greenhouse gas emissions	<ul style="list-style-type: none"> Total power generation from residual heat increased by 50.0% year-on-year, accounting for 16.6% of the Group's total electricity consumption for solar glass production Total power generation from distributed PV power generation decreased by 1.5% year-on-year, accounting for 7.4% of the Group's total electricity consumption for solar glass production
 <p>Energy-saving renovation on production equipment and systems and fine-tuning of the production parameters</p>	Improve equipment efficiency, reduce equipment use frequency, optimise process parameters, reduce natural gas consumption and power consumption through retrofitting production and environmental protection equipment in the deep-processing procedures	<ul style="list-style-type: none"> During the Reporting Period, various production bases have implemented a number of energy saving measures which, when fully operational, are expected to save the Group over RMB20 million per annum
	Improve yield rate and reduce energy and power consumption through optimising equipment	

Note:

(1) Calculated by using the unit calorific value of natural gas of 9,000 kcal/m³ and unit calorific value of heavy oil of 9,600 kcal/L

During the Reporting Period, clean energy and renewable energy accounted for 99.94% of the Group's total direct energy consumption, and the energy consumption intensity of finished products decreased by 4.0% year-on-year to 19.73 kWh/m², moving towards greener production with low energy consumption.

In terms of water resources management, the solar glass production processes, such as raw material mixing, equipment cooling, residual heat generation, as well as washing and cleaning during the tempering process, all require water resources. During the Reporting Period, the Group optimised and improved the sewage treatment system, increased the utilisation rate of sewage treatment facilities, and conducted regular cleaning of sewage pools to maximise the use of recycled water for production use. As the adjustment of the accounting scope of water withdrawal into the calculation of water consumption has been made by the environmental protection authorities of individual regions during the Reporting Period, in order to ensure the comparability of the data, the industrial water consumption in 2020 had been calculated according to the same accounting basis, and the adjusted water intensity of finished products in 2020 is 0.019 m³/m² and the water recycling rate is 95.0%. During the Reporting Period, the water intensity of finished products decreased 10.5% to 0.017 m³/m² year-on-year and the water recycling rate increased slightly to 95.6%.

The Group will continue to optimise its deep-processing production lines and improve the efficiency and purification capacity of the sewage treatment system, aiming to increase the water recycling rate of some of its production processes to 100%, so as to achieve a long-term goal of "zero waste except for normal evaporation and sedimentation tank loss".





Emission and Treatment of Greenhouse Gas and Other Pollutants

The major greenhouse gas generated during the production of solar glass is carbon dioxide, which is mainly generated from direct emissions (scope 1) as a result of natural gas combustion and raw material decomposition as well as indirect emissions (scope 2) as a result of purchased electricity. Measures to reduce scope 1 greenhouse gas emissions per unit of finished goods include: i) choosing the cleanest production fuel (natural gas) within the realm of available technology, leading to less initial CO₂ emission concentrations than using heavy oil; ii) continuous improvement of production lines and processes to increase production efficiency and yield rate; and iii) replacing diesel forklifts with electric forklifts. Measures to reduce scope 2 greenhouse gas emissions per unit of finished goods include: i) using residual heat generated electricity and PV distributed power generation to fulfil part of the electricity demand for production; ii) continuously optimising the furnace melting process to enhance residual heat power generation; and iii) adopting more efficient energy saving measures to reduce the electricity consumption of deep-processing section. During the Reporting Period, the Group's scope 1 and scope 2 carbon emissions per unit of finished goods decreased by 7.2% and 5.8% year-on-year, respectively. The greenhouse gas emissions per unit of finished goods were 6.56 kilograms of carbon dioxide equivalent.

In addition to greenhouse gas emissions, the Group has identified the major pollutants generated during the solar glass production process and classified them as follows:

- (i) Air pollutants: SO₂, NO_x and particulates (smoke and dust) are generated as a result of the feeding and mixing of raw materials and the consumption of natural gas, electricity and water in melting raw materials
- (ii) Sewage: Production sewage that cannot be recycled after being recycled several times in the production process, and domestic sewage generated by employees for domestic use
- (iii) Solid wastes: Major hazardous wastes, such as discarded packaging barrels, oil sludge, waste mineral oil, discarded oil pipe and chemical reagent; as well as major non-hazardous wastes, such as desulfurisation gypsum collected by environmental protection facilities, sludge and discarded raw material ash, construction waste, and broken glass and non-packaging materials generated from production process
- (iv) Noise: Mainly generated from wind turbines used in raw material feeding, mixing, melting, calendaring and annealing processes as well as residual heat generators

Regarding the major pollutants identified, the Group strictly complies with the requirements of the national and local environmental protection-related laws and regulations in the countries where it operates, and adopts the following treatment techniques, disposal methods and monitoring measures under the supervision of local environmental protection regulatory authorities. During the Reporting Period, Anhui Province upgraded the local emission standards of air pollutants to $SO_2 \leq 200mg/m^3$, $NO_x \leq 300mg/m^3$ and $particulates \leq 20mg/m^3$. The provincial and local emission standards for other production bases remained the same as in 2020. The Group complied with the national, local and/or industry standards set out in the table below in respect of the discharge and treatment of pollutants during the Reporting Period, and implemented the highest standards among them.

Pollutants	Treatment/Disposal	Monitoring methods	Applicable standards
 <p>Sulphur dioxide (SO₂) Nitrogen oxides (NO_x) Particulates (smoke and dust)</p>	<ul style="list-style-type: none"> Use natural gas as fuel Equipped with desulphurisation, denitrification and dedusting devices Replace devices regularly Adjust the amount of catalyst used 	<p>An online monitoring system is installed for flue gas at the exhaust ports and monitoring spots are set up for 24-hour ongoing monitoring, with the monitoring data uploaded through the CEMS system.</p> <p>The Wuhu, Tianjin, Beihai and Malaysian plants are connected with their respective local environmental regulatory departments, and are monitored by the government to ensure their emission data are up to standards</p>	<p>Production bases in China: Integrated Emission Standards of Air Pollutants (National Standard GB16297-1996)</p> <p>Emission Standard of Air Pollutants for Flat Glass Industry (GB26453-2011) (Industry Standard)</p> <p>Local standards of Wuhu/Tianjin/Beihai</p> <p>Industry standards: $SO_2 \leq 400mg/m^3$; $NO_x \leq 700mg/m^3$; smoke and dust $\leq 50mg/m^3$, or the local standards whichever are higher</p> <p>Production base in Malaysia: National standard under the Environmental Quality Act 1974 on the emission of exhaust gases from glass furnaces: $SO_2 \leq 800mg/m^3$; $NO_x \leq 800mg/m^3$; smoke and dust $\leq 50mg/m^3$</p>
 <p>Sewage</p>	<ul style="list-style-type: none"> Sewage is recycled after treatment through the sewage treatment and collection system and the efficiency of purification is enhanced using filter presses, water purifier and a water agent, thereby improving the water recycling utilisation rate Production sewage, rainwater and domestic sewage that cannot be reused are collected centrally and transported to urban sewage treatment plants through designated channels after sedimentation/filtration/septic tank treatment 	<p>Qualified third parties are commissioned to conduct quarterly sampling to ensure that the key indicators are met: pH value (pH), chemical oxygen demand (COD_{cr}), biological oxygen demand (BOD₅), suspended solids, ammonia nitrogen, animal and vegetable oil</p> <p>Wuhu and Beihai production bases are continuously monitored 24 hours a day through an online real-time sewage discharge monitoring system and are subject to real-time monitoring by local environmental protection authorities</p>	<p>Production bases in China: Level three standard under the Integrated Wastewater Discharge Standard (GB8978-1996), or the higher standards of local standards</p> <p>Production base in Malaysia: Standard A under the Environmental Quality (Industrial Effluents) Regulations 2009</p>
 <p>Solid wastes</p>	<ul style="list-style-type: none"> Construction waste: Recycle by the manufacturer Dust and sludge: Engage qualified agencies for disposal Discarded broken glass: Reuse in production Discarded packaging materials and discarded electronic equipment: Recycle/dispose by legal means Hazardous wastes: Develop a hazardous waste management plan and filing with relevant department; engage qualified agencies for the disposal and make declarations through the online management system as required by regulatory authorities 	<p>Non-hazardous solid wastes are sorted and stored in designated locations before disposal, whereas the relevant departments are responsible for statistics and the material control team is responsible for supervision</p> <p>Designated material control team is responsible for supervising the disposal and management of hazardous solid wastes</p>	<p>Production bases in China: Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes (Revised in 2020) Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001) National Catalogue of Hazardous Wastes (2021 edition) Management Measures for Hazardous Wastes Movement</p> <p>Production base in Malaysia: Environmental Quality (Scheduled Waste) Regulations 2005</p>
 <p>Noise</p>	<ul style="list-style-type: none"> Noise insulation for plants Shock absorption Install sound insulators and silencers for fans 	<p>Annual inspections by qualified third parties</p>	<p>Production base in China: Emission Standard for Industrial Enterprise Noise at Boundary (GB12348-2008)</p> <p>Production base in Malaysia: Occupational Safety and Health (Noise Exposure) Regulations 2019</p>

Environmental Protection Actions in the Non-production Section of Solar Glass

In addition to the production process, the Group also strives to achieve better environmental benefits in other operational aspects of its solar glass business.

As traditional packaging uses a lot of wood and paper and is difficult to recover and recycle, the Group is actively promoting "using iron pallets to replace wooden pallets" and paperless packaging. Green packaging can significantly reduce the consumption of wood and paper, which is in line with the principle of efficient use of resources and recycling. With the Group's vigorous promotion of the environmental benefits of green packaging, the awareness and recognition of customers in this regard has increased significantly. However, the reuse of iron pallets is affected by factors such as market demand, logistics cycle, transportation distance and product mix, etc. In the case of supply and demand imbalance in market, longer transportation cycle and/or increasing demand for new product, the utilisation rate of iron pallets will be affected. During the Reporting Period, the utilisation rate of iron pallets slightly declined due to the increase in percentage of overseas sales during the Year (overseas orders cannot use iron pallets due to long-distance transportation). In addition, large-format glass products are becoming more popular, but the utilisation rate of iron pallets is relatively low (as it takes time to adjust and change). Therefore, the change in product mix also has an impact on the overall iron pallet utilisation rate. Despite this, the proportion of paperless packaging at our Wuhu and Tianjin production bases has increased, especially at our Tianjin production base, where nearly 80% of products packaged with iron pallets use paperless packaging. Looking ahead, we will continue to enhance the use of green packaging, address the issue of matching different product specifications and strengthen the promotion.

During the Reporting Period, the Group actively promoted the "green office" concept to reduce office electricity and paper consumption and avoid unnecessary waste of resources:

01

Full implementation of the online OA system for purchase and approval to replace the traditional paper purchase form, and making good use of the OA system to gradually become paperless office



02

Use indoor lighting equipment reasonably according to natural light conditions, and develop a good habit of turning off lights when leaving a room



03

It is forbidden to turn on the air conditioner in public places outside office hours, set the temperature of the air conditioner at reasonable level, and prevent the air conditioner from idling



04

Office electrical equipment such as computers, printers, water dispensers, etc. should be turned off when they are not in use, and long-term standby is prohibited

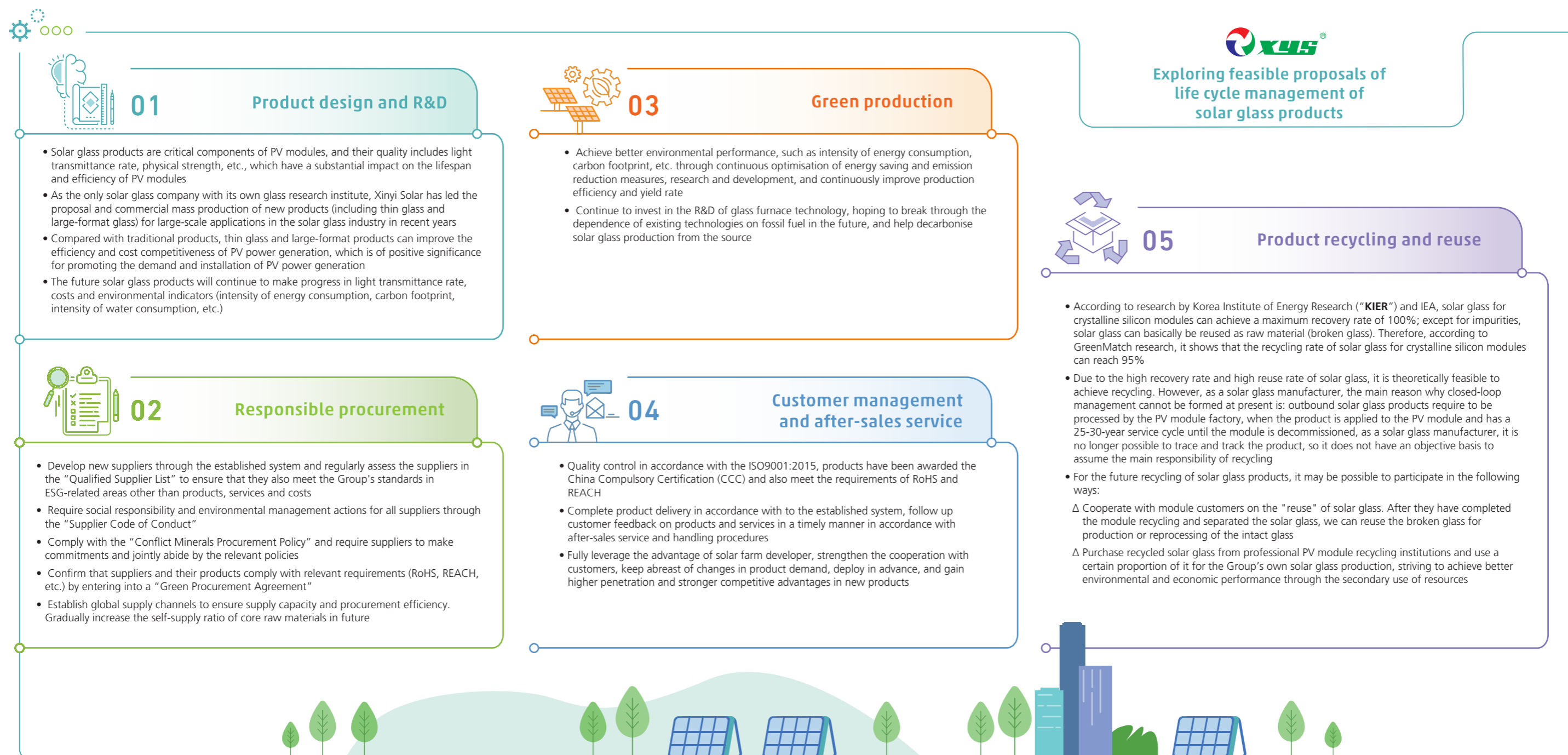


In addition, the Group also encourages its employees to practice the concept of energy saving and low carbon in their daily lives, to cherish resources and reduce waste, and to take practical actions to reduce carbon footprint.



Product Lifecycle Management

Five government departments in the People's Republic of China including the Ministry of Industry and Information Technology and the National Energy Administration issued the "Action Plan for Innovation and Development of Intelligent PV Industry (2021-2025)", which clearly stated that "to research and develop the technical route and implementation path of 'retired' PV modules utilisation, to promote the recycling technology research and development and industrial application of waste PV modules, to speed up the comprehensive use of resources." As the industrialisation of the recycling and reuse of waste PV modules is on the agenda and is expected to make substantial progress during the "14th Five-Year Plan" period, the market is concerned about the lifecycle management of PV products and the actions/plans of leading companies. To address the concerns of the key Stakeholders, the Group has considered and clarified the sustainability management actions currently implemented by the Group at various stages from the perspective of the life cycle of solar glass products, focusing on the objective conditions of the "product recycling and reuse" segment and the factors currently limiting the Group's formation of closed-loop management, and exploring the feasibility of the Group's future participation in the last phase:



Responsible Procurement

The Group adheres to ethical and sustainable procurement principles and has established friendly business relationships with various suppliers around the world through strict implementation of supplier development and management procedures to standardise supplier management, with equal and mutual benefits, sincere cooperation and mutual growth.

The development of new suppliers is evaluated by assessment team with members from various departments such as quality control, procurement and technology, in accordance with established indicators and criteria. The Group has established 50 detailed evaluation indicators and scoring criteria for corporate qualifications, production and supply capability, quality management, service quality, cost competitiveness and ESG-related areas. New suppliers are required to obtain an "A" grade in the evaluation before being included in the "Qualified Supplier List" to ensure that new suppliers are not only competitive in terms of products and prices, but also meet the Group's requirements in the ESG areas to which the Group attaches equal importance. The assessment of new suppliers in the ESG areas such as legal and labour standards, occupational safety and health management, production management, business ethics, and environmental protection mainly includes:



During the Reporting Period, the Group identified, monitored and mitigated potential environmental and social risks in the supply chain through the following measures.

To ensure that all suppliers of the Group share the same sustainable development concept, the Group has established the "Supplier code of Conduct", which sets out a total of 14 items that suppliers must fully comply with in terms of ethical standards, human and labour rights, and environmental protection, including:

- **Labour standards:** Zero-tolerance policy for bonded labour, illegal trade, slavery or child labour, and the need for proof of voluntary employment
- **Environmental protection:** Local environmental laws and practices must be complied with, and proof of compliance with local regulations or best practices (such as ISO14001 certification or the corresponding local certification) is required. Suppliers and the Group need to sign a "Green Environmental Protection Agreement" to ensure a sustainable procurement policy
- **Integrity, Anti-corruption:** Suppliers are prohibited from offering, supporting, soliciting or receiving (directly or indirectly) any form of bribe as an inducement or reward for any business dealings with the Group. All suppliers are required to sign a "Supplier Integrity Agreement" with the Group
- **Ethics:** Employees should be treated with dignity and respect. Physical punishment, threat of violence or other forms of harassment or abuse should be prohibited, and non-discriminatory employment practices should be adopted with respect to wages, salaries, benefits, promotions, contract termination or retirement
- **No conflict minerals:** Products or materials supplied to the Group shall not contain any materials manufactured or purchased from the Democratic Republic of Congo or other neighbouring countries. A "Conflict Minerals Procurement Policy" is required to be signed between the supplier and the Group to ensure a sustainable procurement policy

The Group also encourages suppliers to share the Group's sustainability philosophy with their supply chain, to adopt the same principles for supply chain management and regulate the conduct of their suppliers by the same criteria.

Suppliers on the Qualified Supplier List are assessed on a monthly, quarterly and annual basis, with a slight difference in emphasis: the monthly assessment focuses more on factors such as products, services, quality, and supply capabilities, with lesser emphasis on ESG areas such as environmental protection and occupational safety and health; the quarterly and annual assessments place equal emphasis on ESG-related performance. For suppliers who fail to meet the standards for several consecutive times in the monthly assessment or fail in the quarterly/annual assessment, the Group will propose rectification actions. If the suppliers still fail to meet the standard after the rectification, they will be disqualified and the business relationship will be terminated. During the Reporting Period, the suppliers who supplied products and/or services to the Group were those who complied with the development and management practices of suppliers and met the standards in the periodic appraisal. Through "Green Environmental Protection Agreement"/"Green Procurement Agreement" or the environmental protection and safety commitments in the contract terms, the Group ensured that the products purchased during the Reporting Period complied with the Group's quality, safety and environmental standards. The economic contract performance rate of the Group was maintained at 100% during the Reporting Period.

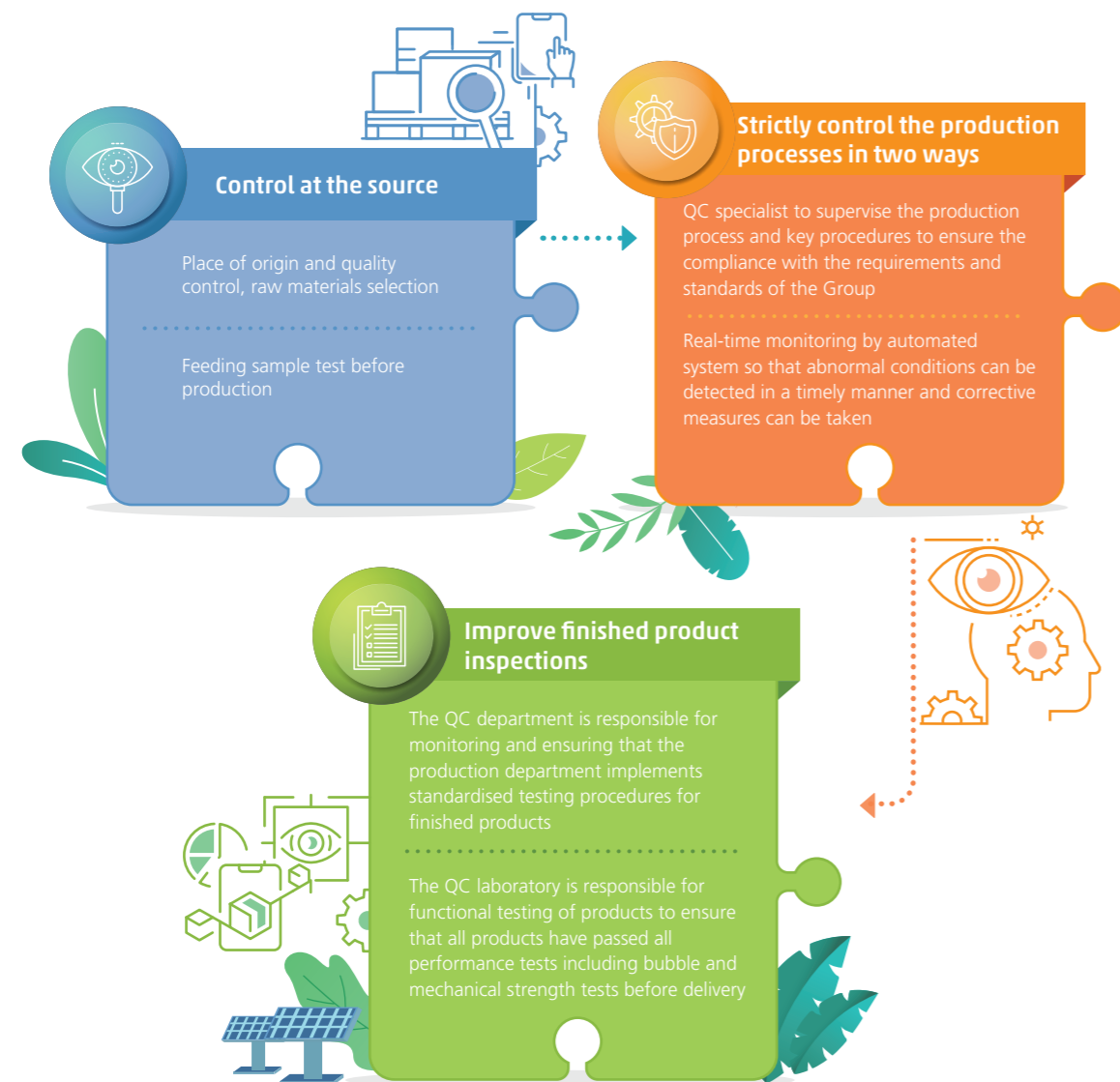
During the Reporting Period, the market price of energy, soda ash, ultra-clear silica sand, the three major costs of solar glass, all recorded significant increases. In order to ensure sufficient, stable and quality supply of raw material and energy and to obtain more competitive procurement price, the Group managed its procurement through an ERP System, and used a unified monitoring platform for both domestic and overseas procurement. In terms of procurement, the ERP system can fully utilise the Group's advantages on channels and scale to obtain resources at most reasonable price through comprehensive price comparison and centralised procurement, and establish and gradually improve the Group's global supply chain by combining internal resources to reduce procurement risks caused by regional policy changes. At the same time, it also enabled the Group to manage raw material inventory more efficiently and keep track of the inventory situation at each production base to ensuring that the inventory is maintained at an appropriate level. In addition, the Group intends to identify suitable resources in the future to gradually increase the ratio of self-supply of core raw materials (such as ultra-clear silica sand) in order to further enhance the stability of raw material supply.

Customer Management

The customers of the Group's solar glass business are the major global PV module manufacturers. Since the solar glass is mainly used as the cover and back sheet of solar modules and play a critical role in protecting the cells inside the PV modules, therefore, the quality of the solar glass has a significant impact on maximising the lifespan of the cells and minimising the PV module degradation rate. As there is defined degradation rate of solar panels over 25 years under the IEC and TÜV standards, customers are most concerned about the quality of solar glass products and have set stringent standards on performance parameters. The Group has established and continuously enhanced its quality control system in accordance with the ISO9001:2015 quality management system standard to ensure that the quality of its products meets industrial standards and customer requirements. The 2021 customer satisfaction survey report shows that customers satisfaction with the quality of the Group's glass has further improved.

During the Reporting Period, the Group followed the requirements of its "Quality Control Manual" to control the entire production process of solar glass:

Quality Control Process of Xinyi Solar



For the non-conforming products that fail to pass the inspection, the "Non-conforming Products Management Procedures" are implemented and the QC department is responsible for monitoring the disposal of such products to ensure that they are not delivered without meeting the standards. On the basis of ensuring the quality of products, the Group has standardised the delivery process in accordance with its internal system, strictly comply with the delivery deadlines and ensures on-time delivery through smooth communication between sales, production, storage and transportation departments to safeguard the interests of customers.

After the delivery of products, the after-sales service personnel will follow up with customers in a timely manner to obtain their feedback on the products and services. In order to further improve customer satisfaction, increase customer loyalty and establish and maintain long-term relationships, the Group focuses on improving after-sales services. After receiving feedback from customers on product quality issues, the after-sales service personnel will make timely response according to our internal requirements. If the request involves the return of product, we must strictly follow the return procedure and communicate with the customer within the prescribed time frame and make corresponding arrangements as soon as possible based on the negotiation results. The Group's responsive and proactive attitude, after-sales services and handling procedures continued to be recognised by customers. During the Reporting Period, customers' satisfaction with the service quality of the Group, especially after-sales services, further improved.

Since the commencement of production at the two production bases in Malaysia and Beihai, the Group's share of overseas sales has increased. Overseas regions have higher standards for environmental protection and safety of solar glass products. During the Reporting Period, the Group strictly implemented environmental and production safety management and occupational health management in strict compliance with the requirements of the internal environmental responsibility management system and the occupational health and safety management system, and complied with the standard of ISO14001:2015 environmental management system and ISO45001:2018 occupational health and safety management system. In addition, the Group has also signed the "Conflict Minerals Procurement Policy", "the Green Environmental Protection Agreement" and the "Green Procurement Agreement" with its suppliers to conform to the principle of responsible procurement, and meet the requirements of global customers in relation to the Group's production management, supply chain management and corporate social responsibility. During the Reporting Period, the Group was mainly engaged in the sales of deep-processed solar glass products, which had obtained the China Compulsory Certification (CCC) and met the applicable safety requirements. Products sold to overseas market were mainly supplied by the production base in Malaysia, which meet international standards such as RoHS and REACH. During the Reporting Period, no products sold or shipped were recalled by the Group for safety or health related reasons.

On the basis of product quality, environmental protection and safety performance to meet the demand, the diversification of product sizes and designs of PV modules have led to higher demands from customers on the product development capability of solar glass manufacturers and the production and supply capability of diversified products. Since the Group is also engaged in the downstream business of the value chain (solar farm business), it is able to maintain a keen market awareness, develop and deploy new product in the market as early as possible, and optimise and modify its production facilities in an orderly manner to meet the demand for new products. During the Reporting Period, the Group's market share in the thin glass and large-format glass market was higher than that in the traditional product market, and the new products were well recognised by customers. The Group's invested approximately HK\$320 million in research and development during the Reporting Period, representing a year-on-year increase of 23.7%, mainly for the research and development of solar glass production technologies, equipment and products. The Group values technical talents and their research achievements, and attracts and retains those technical talents through various incentive systems. In terms of intellectual property management, the Group has formulated the "Measures for the Administration of Intellectual Property" in accordance with the "Patent Law of the People's Republic of China", and

established a patent management department with dedicated staff to effectively manage and protect the patents. The Group is determined to take legal measures to protect the rights of the Group and its employees in the event of infringement and to enhance the protection of intellectual property rights through external experts and third party professionals. As of 31 December 2021, the Group had 123 registered patents and 63 patents under applications for registration.

The Group manages confidential information such as intellectual property rights and customer information in strict accordance with the requirements of the "Confidentiality System". Sales contracts contain confidentiality clauses to protect customer information and privacy. The Group also has internal systems to regulate the legal use and effective management of customer information by the sales department to ensure the security of customer information and prevent information leakage. Important customer files and information are classified as the level-one confidential files, and are properly managed by the Group's archive. During the Reporting Period, no customer information leakage was reported for the Group.

Symbiosis and Coexistence Development Model

PV power generation is not only a core business for us, but also a future we believe in and strive for. Since the Group invested in and developed the first utility-scale solar farm project in 2014, it has been actively pursuing innovations in the field of PV power generation. With our corporate mission of "leading green new energy", Xinyi Solar actively explores the "PV +" models to create more possibilities in terms of the development of solar farms, insists on the sustainable development model of "coexistence with society and the environment", connects the social economy through a series of successful developed projects and integrates PV with the people's daily life.

As of 31 December 2021, Xinyi Solar's accumulated fixed asset investment in solar farms reached HK\$18.3 billion, with a total approved grid-connected capacity exceeding 4GW. During the Reporting Period, the total power generation of the Group's solar farm projects was 3.7 billion kWh, which is equivalent to the annual power consumption of 1.54 million households, saving 1.127 million tonnes of standard coal and reducing carbon dioxide emissions by 3.075 million tonnes.

Utility-scale solar farms are responsible for supplying electricity to the community and have an operating cycle of several decades, which has a practical impact on the local ecology, economy and people's livelihood. Therefore, the Group treats each solar farm project with prudence and implements the concept of "not sacrificing the ecological environment and not destroying the ecological balance" in every procedure from preliminary survey, environmental evaluation, quota application, development and construction, to the final stage of operation. During the Reporting Period, the utility-scale solar farm projects with installed capacity of 400MW developed and constructed by the Group's own EPC team were developed in an environmentally friendly manner that is in harmony with the original ecological environment, and environmental impact evaluation was conducted prior to development and environmental acceptance procedures were carried out after completion of the projects to meet regulatory requirements and respond to local community concerns.

In response to the differences in ecological environment of different solar farm locations, including but not limited to topography, land properties, soil and vegetation, climate and hydrology, the Group has successfully explored various "PV+" models in the past seven years to protect and improve the ecological environment and fully utilise resources and space.

The Xinyi Longwan Project is the epitome of Xinyi's exploration of the "PV+" models. In 2019, Xinyi Solar started to build an agricultural-PV complementary demonstration base in Fuchang Village, 50 kilometres away from Haikou, Hainan, with a total investment of approximately RMB1.5 billion, an installed capacity of 300MW, and an estimated annual power generation of 360 million kWh, which is equivalent to the annual power consumption of 150,000 households, saving approximately 0.11 million tonnes of standard coal and

reducing carbon dioxide emissions by approximately 0.30 million tonnes per year. As a dual-purpose agricultural-PV complementary solar farm, the Longwan project is equipped with automatic sprinkler system, drainage system and other agricultural supporting facilities to achieve efficient utilisation of land resources by generating electricity on the solar panels and growing vegetables under the solar panels. In addition, each 100 mu agricultural-PV complementary solar farm can help 12 farmers and their families to have stable employment with an annual income of approximately RMB40,000 each, which gives full play to the positive significance of PV power generation to the economy and people's livelihood.



Xinyi's "PV+" model has created many possibilities, and we will actively explore more possibilities in the future.



"PV+ Light Rail Station"
Wuhu Light Rail Project



"PV + Solar Glass Production"
Wuhu Production Base Project



"PV + Agricultural Smart Greenhouse"
Sanshan PV Ecological Industrial Park



"PV + Aquaculture"
Fanchang Project




"PV + Mining Subsidence Area Management"
Huainan Project



"The Floating PV System"
Sanshan Project



FRIENDLY TEAM



Talent is the power source for enterprise development and the fundamental guarantee for long-term competitiveness of an enterprise. To pursue the success of an enterprise without an innovative and cohesive talent team is like water without its source and a tree without its root. Xinyi Solar puts the “people-oriented” concept into practice in every aspect of human resources development and management. We often ask ourselves, “What do our employees need? What can we do for them?” In 2021, Xinyi Solar made unremitting efforts to listen to the demands of employees, improve its management system, and provide chances for employees to give full play to their strengths and become a trustworthy employer.

Focus Areas and Objectives



Employment Compliance

Strictly comply with the requirements of the labour laws and regulations of the country and region in which our business locates. **Protect the legal interests of the Group and its employees through scientific talent management system**



Remuneration Package and Employee Care

In addition to satisfying the applicable remuneration and benefit requirements of the country and region where the business is located, we provide more competitive remuneration packages to **attract and retain talents**. We are concerned with the needs of employees, providing sufficient support and care to them in their work, and **guiding them to establish a healthy lifestyle and achieve work-life balance** with staff activities



Occupational Safety and Health

We keep improving the safety management structure, strictly put the production safety management system into effect and enhance safety awareness to eliminate safety hazards. Meanwhile, we comply with ISO45001 standard to implement occupational health and safety management, ensure work safety and health of employees and achieve the ultimate goal of **zero harm**

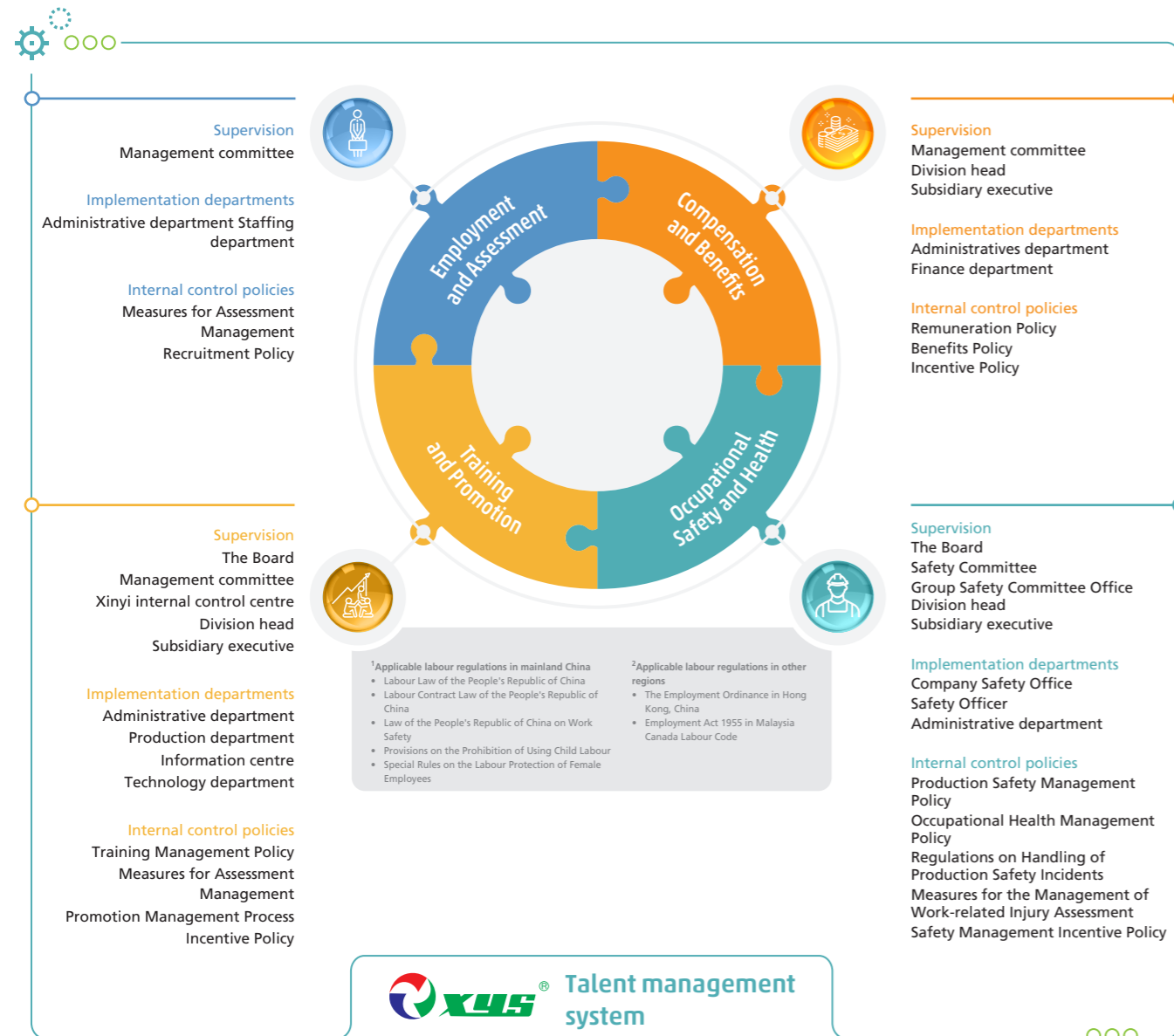


Diversity, Inclusion and Equal Development Opportunities

To **provide equal opportunities for each employee**, we establish and improve the regulatory system, in order to **create a pluralistic, inclusive and fair working environment**. We value talents without taking consideration on gender, race, ethnic, faith or sexual orientation. We provide diverse training programs for employees to **ensure fair treatment to employees in terms of training resources and development opportunities**

Employment Compliance Talent Management System

The Group positively responds to the United Nations Sustainable Development Goal 8 "Promote productive employment and decent work for all" with actions. With respect to talent management, the Group strictly complies with the laws and regulations of its business locations, respects and defends the rights and interests of its employees under the law, and implements the "people-oriented" concept in every aspect of talent management through the establishment and improvement of a talent management system to create a safe, fair and equal, caring environment in which employees can fully utilise their talents and realise their career development aspirations.



The Group's talent management system is based on the requirements of laws and regulations and regulatory authorities in the places where it operates, and uses industry, local and international best practices as reference. The Group's internal management system was set up according to the four core modules of "employment and assessment", "remuneration and benefits", "training and promotion" and "occupational safety and health", which are implemented by the relevant departments and monitored by the Board, the management committee ("Management Committee") or ad hoc committees/organisations (such as the Safety Committee and the Internal Control Centre) to ensure that the talent team is built and managed in a lawful, compliant, fair and equitable manner and the rights and interests of employees are fully protected.

Employment Relationship

The Group mainly employs new employees through open recruitment and campus recruitment. The recruitment process adheres to the principle of fairness and impartiality and eliminates any discrimination on the basis of race, ethnicity, nationality, age, gender, religion, marital status, and other factors unrelated to personal abilities. Through equal and friendly communication and negotiation, we determine the terms of employment, including job requirements, basic working hours, remuneration package, training and promotion mechanism, work safety protection, non-competition agreement, confidentiality and termination clauses, etc. to ensure that the interests of both employees and the Group are protected. The employment relationship will be confirmed by signing a written employment contract after both parties have clarified their rights and obligations and agreed to the written employment terms.

Human rights are an inviolable bottom line and the Group adopts a "zero tolerance" attitude towards all forms of employment practices that violate basic human rights. With respect to labour standards, the Group takes all necessary measures to ensure that the Group's employment practices comply with the labour-related principles of the United Nations Global Compact, in addition to strictly complying with the requirements of laws and regulations in the places where it operates:



Principle 4: Elimination of all forms of forced and compulsory labour

Principle 5: Effective abolition of child labour



We promise not to allow child labour, forced or involuntary labour within the Group.

Our actions

- Never employ anyone below the legal minimum age of labour in the place of business
- The terms and conditions of employment are set out in writing and are made known to employees, and the employment relationship is determined by a written employment contract
- Strict inspection and supervision of the recruitment and entry process, including verification of original identity documents such as ID cards and other required documents to avoid child labour and forced labour
- Respect and protect employees' right to terminate their employment contracts, and ensure that employees are entitled to the benefits of termination in accordance with the terms of employment, including but not limited to wages and share options
- Establish a system of reasonable working hours, strictly comply with the statutory regulations on working hours in the place of business, and if working hours need to be extended, ensure that the wishes of employees are respected and the requirements of laws and regulations in the place of business are met, and provide overtime allowances



Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining



We are committed to respecting and protecting our employees' rights of association and freedom to participate in trade unions

Our actions

- Respect for employees' rights to association in accordance with the law
- Respect and protect the freedom of employees to participate in trade unions. Trade unions have been established at all production sites and all employees have the right to participate in trade unions and to communicate their opinions, suggestions and demands to the Group through trade unions
- Strictly comply with the relevant laws of the place where the Company operates in relation to "Collective bargaining" and "Collective contracts"



Principle 6: Elimination of discrimination in respect of employment and occupation



We undertake not to allow differential or unequal treatment of employees on the basis of characteristics unrelated to their personal qualities or the knowledge, skills and experience required for the job.

Our actions

- We are committed to establishing a work environment free of harassment, bullying, defamation and harm to ensure that all employees are treated with respect, fairness and dignity, and are monitored through effective internal control mechanism
- Strictly follow the established internal systems and regulations of Xinyi Solar's talent management system in handling employment, assessment, remuneration, benefits, training, promotion and other related matters, and ensure compliance with relevant local laws and regulations to eliminate inequality treatment of employees in any employment matters based on race, ethnic, nationality, age, gender, religious beliefs, marital status and other factors



During the Reporting Period, the Group was not aware of any violations of laws and regulations regarding the prohibition of child labour and forced labour, nor was it aware of any other violations of employment laws and regulations.

Remuneration Package and Employee Care

Remuneration Package

The Group has formulated and strictly implemented the standardised "Salary Policy" and "Welfare Policy" in accordance with the requirements of relevant laws and regulations in the countries and regions where it operates, aiming to ensure that determination and adjustment of employees' remuneration and benefit comply with the requirements of laws, industrial regulations and internal policies of the Group. Meanwhile, the Group has also implemented the "Incentive Policy", which ensures that the overall remuneration package for its employees is attractive and competitive in the market so as to attract and retain outstanding talents.

The salaries of the Group's employees mainly comprise basic salary, performance pay and bonus and penalty adjustment. In determining the employee compensation, we consider the duties and responsibilities of employees, individual performance, company performance, market benchmarks and the economic environment, and strive to achieve a balance between employee expectations and group benefits. The basic wage is set in a manner that ensures legal compliance and adherence to the principle of fairness and equality. In addition, the Group has set up quantifiable performance evaluation standards (including economic, environmental KPIs and production/sales/R&D targets) based on the responsibilities of different positions. With reference to the result of regular assessment and the provisions in the Incentive Policy, the Group sets the performance pay and the amount of rewards and penalties, and ensures the objectivity, fairness and impartiality of the assessment and results through an effective supervision mechanism so as to reward the good and punish the bad.

The Group's working hours are set and managed in strict accordance with the statutory working hours requirements of the business locations, and employees are entitled to paid holidays such as statutory holidays, wedding leave, maternity leave, sick leave and paid annual leave. The Group encourages employees to adjust work with rest and achieve work-life balance through reasonable arrangement of work and rest and holidays. Moreover, the Group also provides employees with fringe benefits such as medical benefits (critical illness insurance, occupational health examination and annual physical check, etc.), housing benefits (housing subsidies/supply houses), holiday benefits (gifts/holidays/festive events), allowances (meal allowance, transportation allowance and communication allowance, etc.) and share options and educational fund, and offers bonuses, additional paid leave, additional share options, and other incentives to employees who have outstanding performance and long service contribution. In 2021, a total of 11 departments and 23 employees of the Group were awarded with "Outstanding Department" and "Outstanding Employee" in the annual appraisal, and were given bonuses as an incentive.



The Group believes that "Knowledge changes destiny, and education funds help students achieve their dreams". Therefore, the Group established the Xinyi Education Fund to support our employees' children to achieve their academic dreams. The application and distribution of the fund is managed in strict accordance with the "Xinyi Education Fund Management Code". Eligible employees can submit their applications and the fund will be disbursed after examination by the Group's administration office and internal public announcement.

In 2021, the Group has granted a total of education funds exceeding **RMB300,000**, benefiting a total of **77** employees' children



Employee Care

By establishing an effective internal communication mechanism, listening patiently, understanding actively and responding positively to employees' demands, the Group strives to create a safe, equal and comfortable working environment for employees to enhance their sense of identity and belonging to the company and strengthen team cohesion.

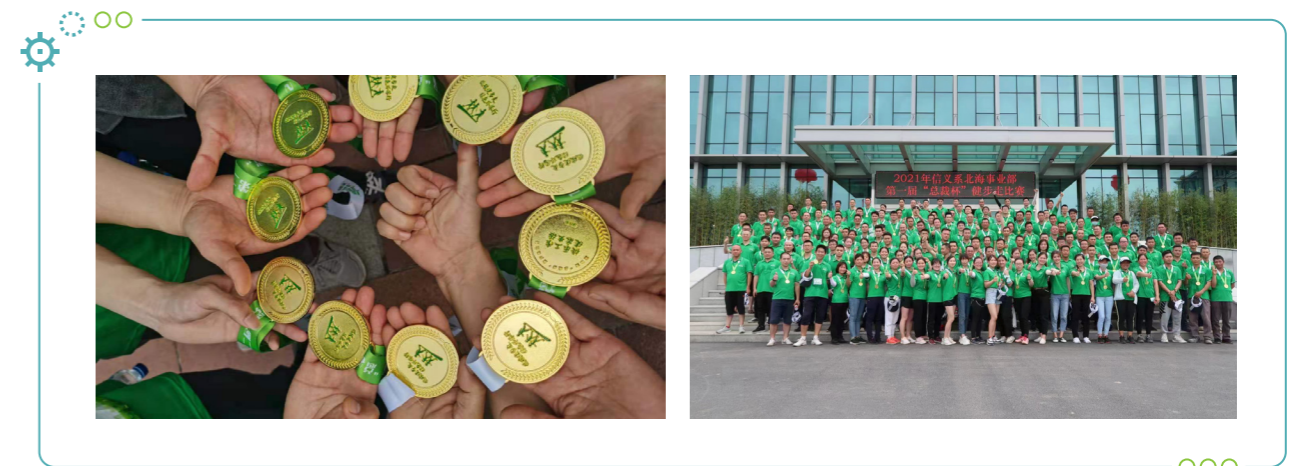
In the work area, we strive to achieve:

- **"Respect"** In terms of employment, compensation and benefits and talent management, through the establishment and implementation of effective internal management and monitoring mechanisms to ensure that the rights and dignity of employees are safeguarded, their efforts and contributions are respected, treated fairly, and they are duly rewarded
- **"Fairness"** In terms of employee development, we establish a systematic long-term training mechanism and a fair promotion mechanism, creating favourable conditions for employees' career development, including but not limited to the construction of a platform for employees to fully develop their potential, the provision of a clear career development path, so that employees can see their career development prospects and ensure that they are properly guided in their career development
- **"Protection"** In terms of occupational safety and health, we continuously improve and strictly implement the Production Safety Management Policy and Occupational Health Management Policy, ensure labour equipped with sufficient labour protection equipment, provide a safe working environment for employees to protect their safety and health, and actively strengthen safety training, publicity and education on safe production and occupational disease prevention to continuously raise employees' safety awareness

The global outbreak of COVID-19 pandemic has caused unprecedented impact and pressure on the mental health of all people. According to the latest updates from the World Health Organisation ("WHO"), the global incidence of anxiety and depression increased significantly by 25% in the first year of the COVID-19 pandemic. Therefore, the Group is deeply aware that it is not only necessary to take effective anti-pandemic measures to protect employees' physical health, but also to pay more attention to their mental health, proactively understand and recognise the relevant stressors and take practical measures to reduce their pressure. According to the WHO, loneliness caused by social isolation and concerns about one's own health and financial situation due to the pandemic are the main factors contributing to anxiety and depression. Therefore, the Group mainly takes measures regarding the following three aspects:

- **Flexible arrangement of diversified activities to strengthen communication and reduce loneliness.** Considering the health of employees and local prevention and control requirements, the Group adopted closed management of production bases and solar farms and reduced employees' business travel during the pandemic period, thus forming a relatively independent and safe area for factories and power stations to effectively prevent the spread of the epidemic and protect the health of our employees. Just for the purpose of reducing crowds gathering, the Group reduced/cancelled activities such as monthly birthday parties and large-scale performances on holidays during the Reporting Period. Under the premise of meeting the requirements of epidemic prevention and control, the Group has flexibly adjusted the form and scale of activities, organised small online employee activities rather than large-scale offline ones, and strengthened the communication and interaction among staff. The 2021 Chinese New Year activity of the Malaysian production base was replaced by a lottery activity, which was supervised by representatives of various departments to further reduce the risk of gathering.

- **The promotion of healthy life concept to help employees develop healthy habits.** A healthy body is the basis for fighting viruses, and regular exercise is essential for staying fit and healthy over time. During the Reporting Period, the Group held the first "Cloud Fitness" activity for two months to encourage employees to use their spare time to do more physical exercise. Employees could choose running/walking and set a daily quota or a cumulative total during a period to compete for the honour of "RunStar". Employees participating in the activity need to record their sports results through a mobile app, and all employees who have met the standards would receive commemorative medals and gifts. In addition, the production bases in Wuhu, Tianjin and Beihai also held the "Low Carbon Walk, Green Walk" activity when the local pandemic situation was under control, so as to motivate our employees by team participation and promote the concept of "Happy Exercise, Healthy Life" while enhancing teamwork spirit.



- **Improved economic benefits of the enterprise to ensure that the salary and benefits of employees are not affected by the pandemic.** Under the challenges of the repeated outbreaks of the pandemic and the uncertain overall economic environment, many companies have experienced layoffs, salary cuts, salary freezes and reductions in benefits. The Group is also facing the same challenges, coupled with the pressure of increasing competition in the industry and rising energy and raw material costs, resulting in a significant increase in operating costs. Despite the above, the Group has also adopted various measures to increase revenue and reduce expenses to enhance operational efficiency. While striving for performance, the Group also continues to conduct annual performance and salary reviews for its employees in accordance with established policies. During the Reporting Period, the remuneration and benefits of our employees were increased as a result of the Group's economic growth.

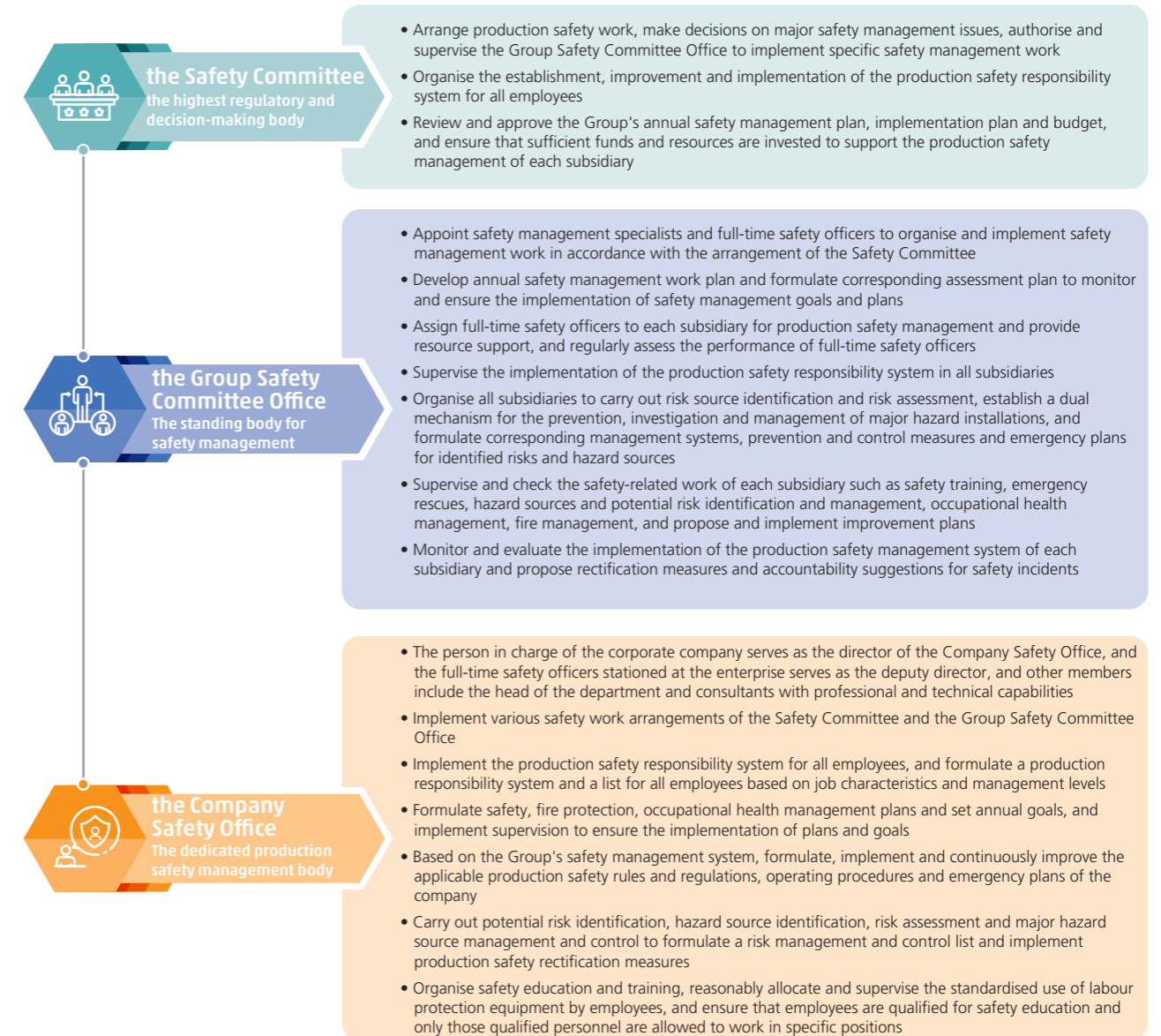
Occupational Safety and Health

Production Safety Management

Safety is our priority and is the bottom line that must not be crossed. As production safety is not only related to the economic benefits of the Group, but also to the personal safety of the employees, the Group has always put the management of safety production in the top priority. The Group strictly complies with the applicable laws and regulations related to safety production, such as the "Law of the People's Republic of China on Work Safety", the "Provisions on Safety Training for Production and Operation Entities", "Measures for the Administration of Contingency Plans for Work Safety Incidents" and the "Factory & Machinery Act 1967". The Group's production safety work is supervised and managed by a dedicated committee in accordance with the Group's established "Production Safety Management System".

Although we have always attached great importance to work safety management, there were still two distressing production safety accidents during the Reporting Period, resulting in the tragic death of two employees. Although independent investigation teams have been set up immediately after the accidents to investigate the cause and take corrective measures, and all responsible staff have been punished, the painful price has made us realise that there are still blind spots in the Group's previous production safety monitoring system and the safety awareness of employees still needs to be strengthened. Therefore, in order to effectively reduce production safety incidents and strengthen the production safety management and supervision, the Group has established the Xinyi Solar Safety Committee (the "Safety Committee"), replacing the original select committee to supervise production safety work.

The Safety Committee is the highest supervisory and decision-making body for the production safety management of the Group, with the Group's chief executive officer as the director and the deputy director being the respective division head. The deputy director of the Safety Committee is also the first responsible person for the division he/she in charge and is responsible for the overall leadership of the safety production work under his/her jurisdiction and assists the director to perform the duties of the Safety Committee. The Group has set up a two-level safety management structure under the Safety Committee, with the first tier being the office of the Safety Committee of Xinyi Solar (the "Group Safety Committee Office") and the second tier being the safety management office of each corporate company (the "Company Safety Office"). The new safety management structure has been implemented since November 2021 with the following key job responsibilities at each level of the organisation:

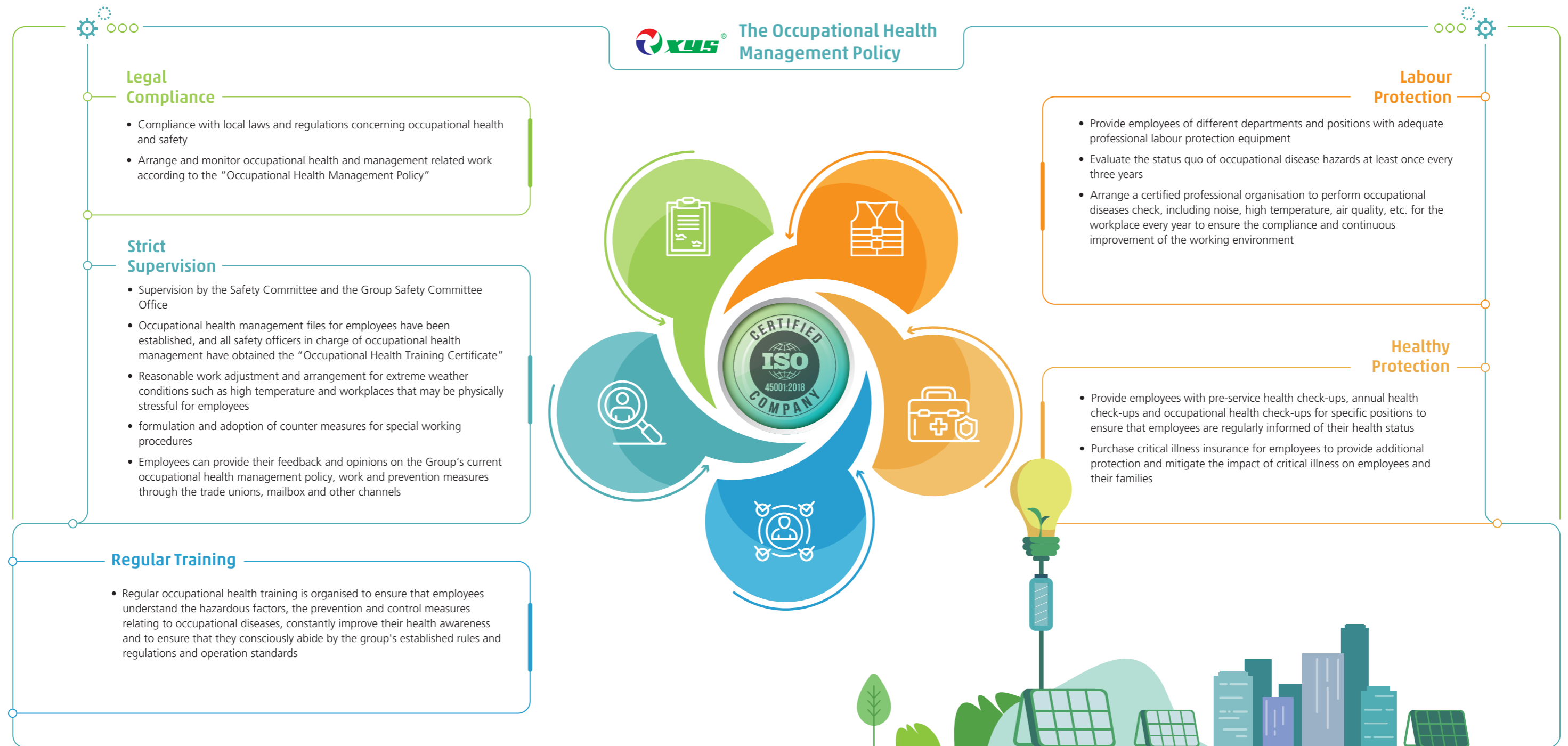


If we cannot let all employees understand the importance of safe production, even the most comprehensive control system, stronger protective equipment and more stringent safety measures will not be able to avoid all the mistakes. Therefore, in order to implement the safety management concept of "people-oriented, caring for life and cherishing health" and to establish a red line awareness of safety among all employees, the Group is determined to establish and implement a production safety responsibility system for all employees and to ensure that all employees are clearly aware of the potential safety risks of their positions, the safety responsibilities to be performed and the importance and necessity of complying with the standard operating procedures and safety regulations of their positions through enhanced safety training and education. During the Reporting Period, the Group's total safety training hours amounted to 13,990 hours and the number of participants was 12,848. In addition, the Group has established an incentive mechanism through the implementation of the "Safety Management Incentive Policy" to encourage departments and employees to improve their safety performance and further reduce and prevent the occurrence of safety incidents caused by human negligence. During the Reporting Period, the number of work-related injuries of the Group was 46, with an injury rate of 0.65 and the number of workdays lost was 1,657, with a ratio of 23.4 workdays lost due to work-related injuries.



Occupational Health Management

Under the supervision of the Safety Committee and the Group Safety Committee Office, the Group's occupational health and safety management is implemented by the Company Safety Office in accordance with the established occupational health management policy, which complies with the standards of international ISO45001:2018 Occupational Health and Safety Management Systems. By arranging professional organisations to regularly monitor occupational hazardous factors in workplaces, the Group ensures that the intensity and concentration of occupational hazardous factors in workplaces meet or are lower than the occupational health standards of the regions and countries where the businesses are located, takes effective technical measures, such as dust removal by ventilation, noise reduction, etc., as well as reasonable working hours arrangement and provide necessary personal protective equipment to reduce exposure levels and physical work loads of employees and protect the health of employees. The Group also provides annual health check-ups and occupational health check-ups for its employees to ensure that they are aware of their health conditions in a timely manner so that they can respond to and deal with health problems as soon as possible.

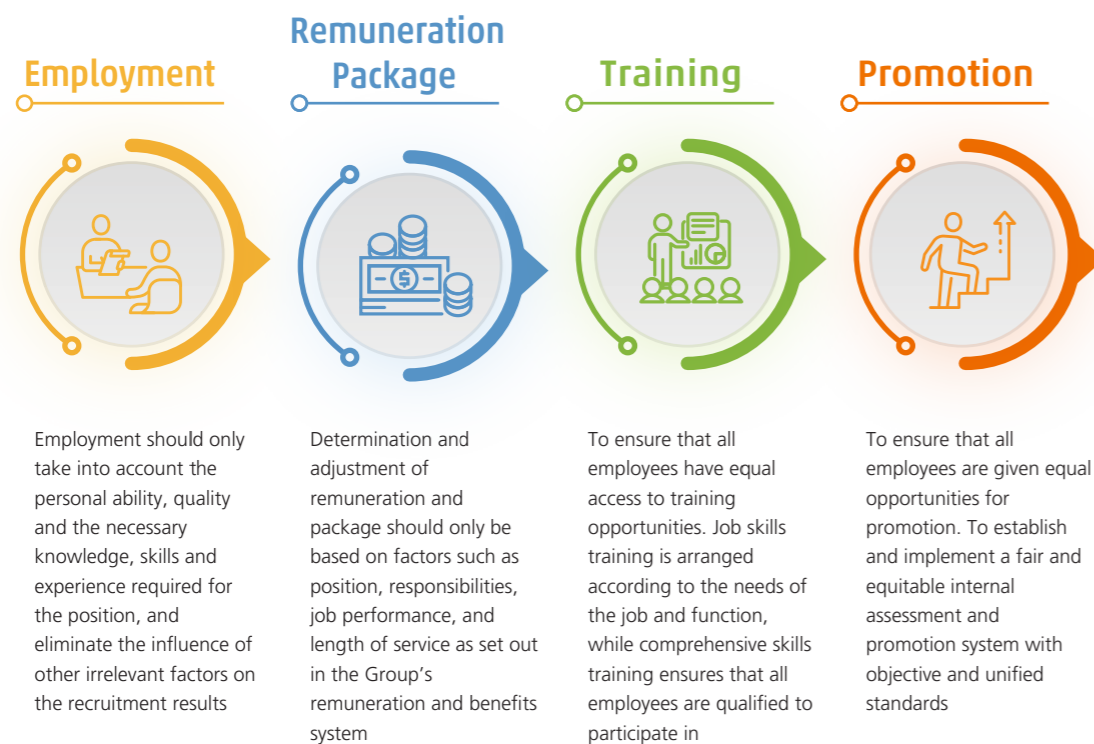


Diversity, Inclusion and Equal Development Opportunities

Principle of "Equality, Diversity and Inclusion"

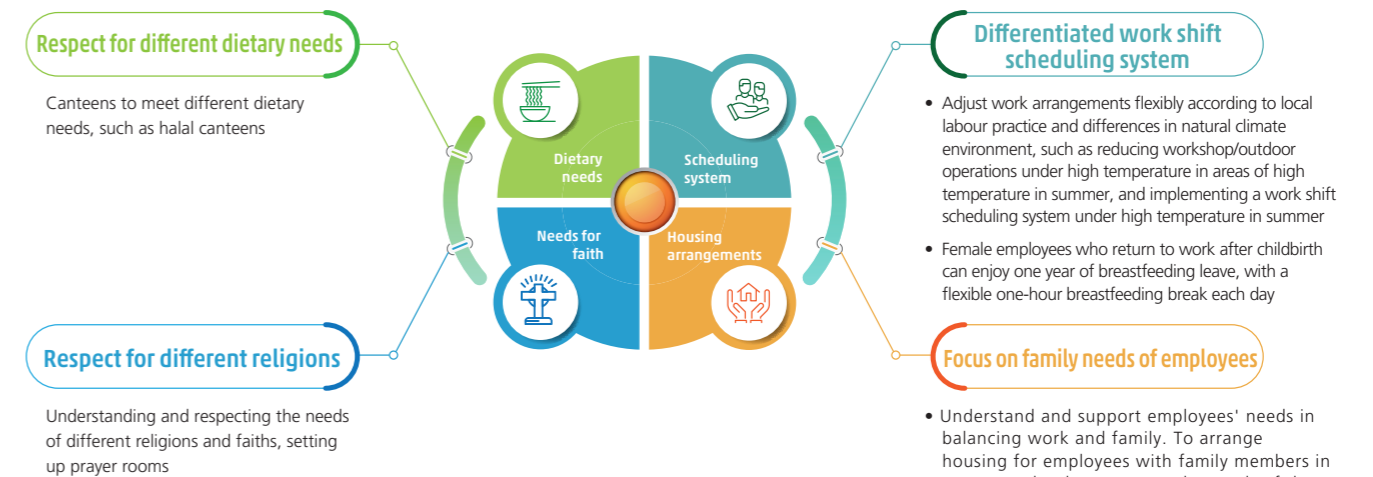
The Group adheres to the principles of "equality, diversity and inclusion" in its talent team building and talent management, strives to build a diversified professional team, and takes all effective measures to create a harmonious, mutually supportive and inclusive working environment so that all employees are treated with respect and dignity, and prevents and strives to eliminate all forms of unequal treatment at work.

The principle of "equality" has been incorporated into every aspect of the Group's talent management:



With the expansion of the Group's overseas business, the importance of building a diverse talent pool has become increasingly important. Localisation of talents can help the Group understand and integrate into the local communities where its overseas business operates, and achieve mutual social and economic benefits. At the group level, a team of employees of different nationalities, ethnicities, ages, genders, expertise, skills, cultural and educational backgrounds, experience and qualifications can provide the Group a broader perspective to better grasp market needs and development opportunities in different culture background. At the same time, managing a diverse team also makes us better at listening to the demands of different employees and pay more attention to establishing a fair and equitable talent management system, which is conducive to the formation of an inclusive culture and the gradual enhancement of corporate inclusiveness, thus helping us to build a more competitive team and enhance business flexibility. We respect and appreciate differences and strive to create a diverse and inclusive working environment based on the following aspects:

- We set up local trade union in each production base to implement differentiated management. Based on the differences in the structure and cultural background of employees in different areas, we make differentiated arrangements in terms of employee management, training and development, and employee activities to better suit local needs, without violating the principle of equality in talent management of the Group
- We actively listen to the requests of employees of different races, ethnicities, nationalities, ages, genders, religious beliefs and marital status regarding work and factory life, and take effective measures to respond to employees' demands in a timely manner without violating the requirements of the Group's talent management system:

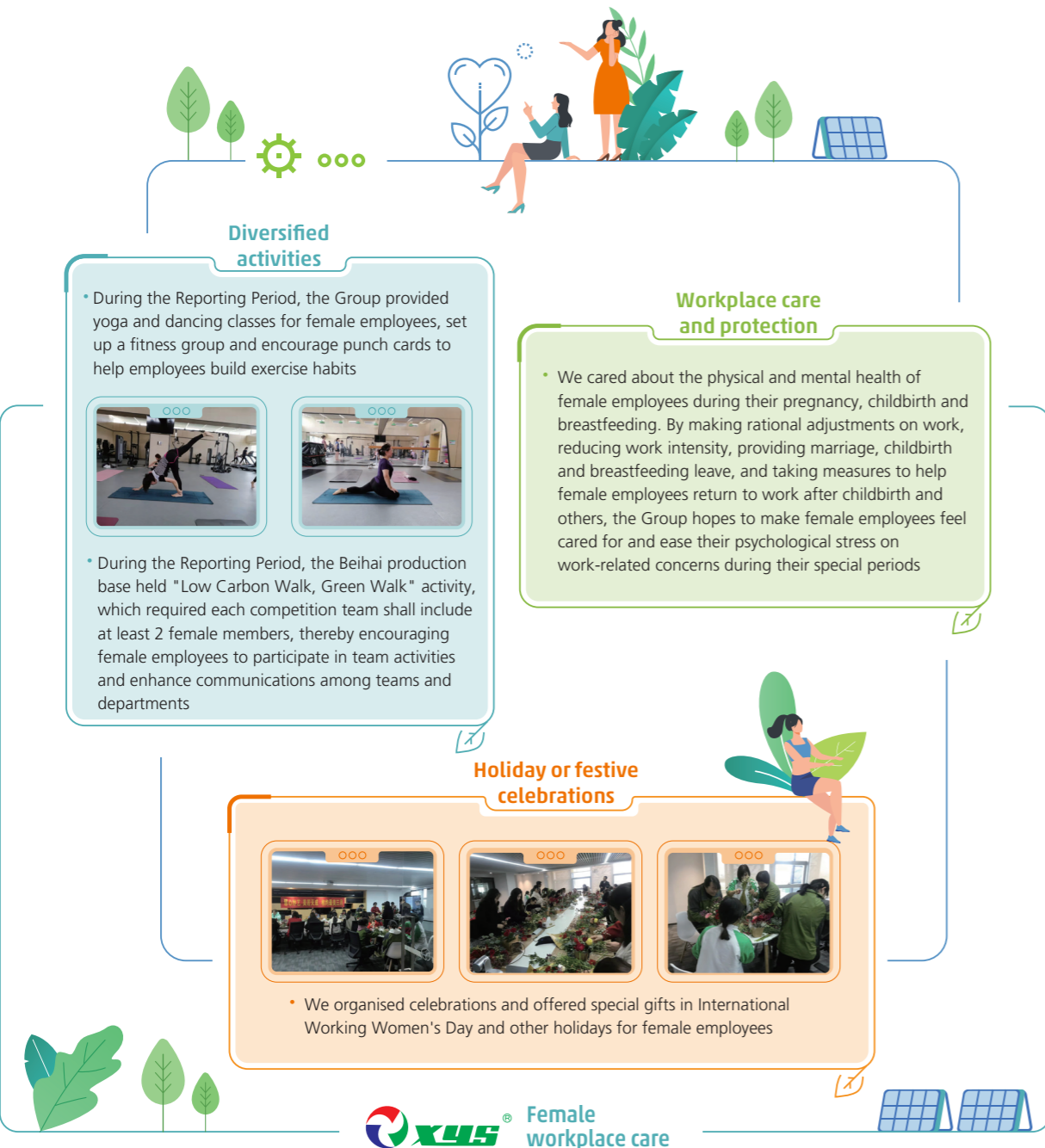


Support to Female Employee Development

The principle of equality that the Group adheres to is to ensure that all employees are not treated unequally in any employment matter on the basis of race, ethnicity, nationality, age, gender, religion, marital status, etc. Therefore, the Group supports gender equality in workplace and takes all necessary measures to support the development of female employees in its operations and strives to eliminate gender bias in the workplace. Our pursuit of gender equality is not about numerical equality, but about ensuring that each employee never feels discriminated against, harassment, or treated unfairly or unjustly on the basis of their gender throughout their employment with our group, from the moment they join to the moment they leave.

As the Group adopts flat management, the non-manufacturing departments, including sales, quality control, procurement, finance, administrative, engineering and logistics, accounted for 22% of the Group workforce, coupled with the nature of its core businesses (solar glass production is industrial manufacturing and solar farm development and construction is engineering nature), the proportion of female employees in the Group is relatively low, but has improved compared to the same period last year. As of 31 December 2021, the Group had a total of 1,408 female employees, representing 19.9% of all employees, up by 3.9 percentage points from the same period last year. The gender structure is more balanced in the middle and back office functions such as the quality control, sales, finance and administrative department, or in subsidiaries not involved in production.

The Group protects the equal rights of women in employment and remuneration packages. In employment, the Group only considers objective factors such as the employee's personal qualities or the knowledge, skills and experience required for the position, and does not differentiate standards and treatment based on gender. In determining and adjusting the remuneration packages, the Group only considers quantifiable indicators such as the duties, responsibilities, performance and length of service of employees, which are clearly defined in the Group's established internal system, and applies the same standard to employees of different genders. We arrange different activities according to the preferences and needs of female employees, and encourage female employees to participate more in various team activities. In terms of task assignment, we also give full protection to female employees during their special periods:



The development of the Group today is due to the efforts and dedication of female employees. In the process of building and managing our own talent team, we note that female employees tend to have sharper observation, better empathy and communication skills, higher stability and stronger mental resilience, and therefore excel in many positions. In the management team of Xinyi Solar, there are also many female managers, who are all outstanding talents in their own right.

2021 marks the twelfth year that Ms. Zhang Jie, who is charge of the solar farm procurement, to join Xinyi. Ms. Zhang admitted that she has gone from being a grassroots worker to being in charge of solar farm procurement. She has a deep understanding of Xinyi's corporate culture of "Trust, integrity, passion and people" and is proud to be a member of Xinyi. As a leader in the industry, Xinyi attaches great importance to the spirit of performance of the contract. For the industry, Xinyi insists on reasonable profits, product quality and technological innovation; For employees, Xinyi provides a good development platform, trains personnel from the grass-roots level and adopts a competitive recruitment system to provide various development opportunities for talents. Moreover, Xinyi also concerns the physical and mental development of employees, enhancing their happiness through the welfare system and employee activities, and encouraging and supporting the education and development of their children in the form of education fund. Over the past twelve years, Ms. Zhang strongly believes that neither she nor her female colleagues have ever been discriminated against or treated unequally on the basis of gender in their work and career development.

Up to 2021, Ms. Zhao Ruixia, the person in charge the finance department of Xinyi Solar's Beihai production base, has been with the company for over seven years. Ms. Zhao admitted that her career path from an ordinary financial officer to the head of finance department of a branch is inseparable from the sound platform provided by the Company for employees and the Company's nurturing. In addition, the corporate culture of Xinyi has also profoundly affected each member in their work and life. Xinyi Solar adheres to the mission of "leading green new energy". As an employee, Ms. Zhao also takes the initiative to adopt a more low-carbon and environmentally friendly lifestyle in her life. Xinyi's insistence on "quality development" motivates Ms. Zhao to continue to seek improvement and advancement at work. Ms. Zhao also believes that the platform provided by Xinyi will enable her to achieve better growth.

Training and Promotion Mechanism

Systematic training is essential for employees to enhance their professional skills and comprehensive abilities and to achieve their career development goals. Therefore, the Group organised employee training in accordance with the established employee training management policy and the offices of the Group or its subsidiaries are responsible for organising employee training. Internal training is arranged by production, technology, solar farms operation and maintenance, information centre, group safety committee office, company safety office and other departments that offer/receive the training services, including theoretical and practical operational training, whereas practical training is subject to strict assessment system. In addition to examinations and assessments by the line manager, the administrative department will also perform regular follow up throughout the training process to assess and evaluate the training effectiveness. Integrity training is provided by the Group's internal control centre. All newly recruited employees are required to participate in induction training on integrity, covering relevant provisions of the "Criminal Law of the People's Republic of China", the Group's integrity system, typical integrity cases, etc. Every year, the internal control centre will also provide on-the-job integrity training for employees in key departments and key positions during the period of being assigned to each production base, to continuously improve the integrity awareness of managers and employees. For special job types and positions, the Group conducts skills assessments and periodic reviews in strict accordance with national laws and industry regulations to ensure that only qualified personnel are allowed to work. Employees may provide feedback on the training content and trainers through the Training Evaluation Form to help the Group enhance training effectiveness. During the Reporting Period, the Group arranged a total of 43,236 hours of internal training and flexibly arranged the training form and the number of participants for each training session in accordance with the outbreak control requirements in the business locations and the training effects.

In addition to internal training, the Group also provided training to its staff by engaging qualified external professional organisations to meet the demand for professional knowledge and skills that cannot be covered by internal training. During the Reporting Period, the Group arranged a total of 4,758 hours of external training.

Training is arranged according to different needs, including the company's long-term development needs, customer needs, legal compliance requirements and employees' personal development needs, and can be broadly divided into two categories: technical training and skills training. Technical training mainly includes job-related professional skills training, safety training (safety education, safety production regulations and operating procedures, accident handling and emergency response, etc.), integrity training and environmental protection training. Through technical training, employees can improve their professional capabilities to match their job requirements and have a better understanding of the requirements and duties of their positions, while safety education and integrity training aim to enhance employees' awareness of safety and integrity, so that they can be more consciously to comply with the Group's established safety and integrity management system. Skills training aims to convey the concept of "live and learn" to employees, encouraging them to continuously improve their overall ability and achieve self-enhancement through learning. Therefore, skill training topics covered, but not limited to, time management, communication skills, team management, digital skills, business etiquette etc. During the Reporting Period, the Group provided 41,616 hours of technical training and 6,378 hours of skills training for employees, respectively.

The Group adheres to the concept of "appointment by merit", and through the establishment and continuous improvement of the promotion mechanism to ensure that all employees who perform their duties diligently have equal opportunities for career development. The Group's promotion mechanism is based on regular appraisal of staff performance and key performance indicators. The promotion process is strictly implemented in accordance with the Group's established system to ensure fairness and impartiality and to eliminate all forms of discrimination and prejudice.

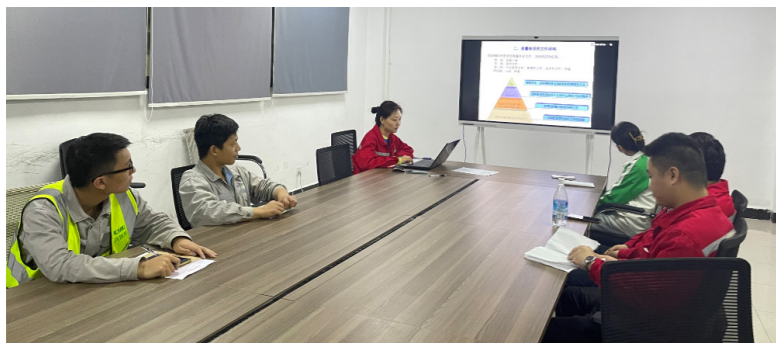
The Group conducts employee performance assessment by strictly complying with the "Measures of Assessment Management", and sets key performance indicators for different departments and individual employees, including but not limited to economic performance and environmental performance, to ensure that the targets are specific, objective, and quantifiable for assessment. The quarterly/annual appraisals of employees are conducted by the department heads, the heads of the subsidiaries or the supervisors in charge and monitored by the Management Committee. Based on the confirmed evaluation results, incentives or promotion opportunities will be offered to employees with excellent performance and improvement measures, such as retraining, will be proposed to those who do not meet the standards. The administrative department will assist in arranging, following up and evaluating the implementation progress and effectiveness of the improvement measures.



•Trainings on usage of data platform of solar farms operation and maintenance



•Trainings and analysis of common problems in packing



•Trainings on internal control standard and inspection process of tempering quality



•Trainings on market analysis of solar farm projects development



ESG PERFORMANCE IN 2021

The data collection and calculation methods used in this Report are consistent with the Hong Kong Stock Exchange's "Reporting Guidance on Environmental KPIs" and "Reporting Guidance on Social KPIs", unless otherwise stated, additional remarks will be made. Unless otherwise stated, the data provided in this section are annual figures for the year or the figures as of 31 December. In the event that previous figures need to be restated, the reasons will be explained accordingly. To further enhance the disclosure, the disclosure in this section has also made reference to the sustainability disclosure topics, accounting metrics and activity metrics set out in the "Sustainability Accounting Standards for the Solar Technology & Project Developers Industry" issued by the SASB.

Economic Performance

During the Reporting Period, the Group's green revenue accounted for 99.5% of total revenue. According to the FTSE Russell Green Revenue Classification System (GRCS), the Group's two core businesses, manufacturing of solar glass and solar farm business, were classified as "Energy Equipment - Solar" and "Energy Generation - Solar" and contributed 81% and 18.5% of the Group's total revenue in 2021, respectively.

Despite the challenging environment in the solar glass industry during the Year, which included pressure on sales prices and significant increase in market prices of some major cost components, the Group's aggressive capacity expansion, excellent cost control capabilities, and continuous research and development in products and production technologies drove its consolidated net profit to a record high of approximately HK\$4.92 billion, representing an increase of 8% year-on-year, and with a net cash inflow of HK\$3.63 billion generated from operations, enabling it to maintain a healthy financial position. As at 31 December 2021, the Group's net gearing ratio was 1.5%, with cash and cash equivalents of HK\$7.46 billion.

Indicators	2021	2020
Direct economic value (HK\$ million)		
Produced ^{Note 1}	16,463	12,546
Allocated ^{Note 2}	13,283	9,715
Retained ^{Note 3}	3,180	2,831
Earnings performance		
Consolidated revenue (HK\$ million)	16,065	12,316
Consolidated net profit (HK\$ million)	4,924	4,561
Earnings per share (HK cents)	55.65	55.40
Dividend per share (HK cents)	27.00	25.50
Asset positions		
Net assets (HK\$ million)	30,312	26,522
Cash and cash equivalents (HK\$ million)	7,458	9,291
Bank loans (HK\$ million)	8,008	6,113
Net gearing ratio (%)	1.50	Net cash
Current ratio (%)	2.70	2.57

Notes:

- (1) The direct economic value produced includes revenue, other income, other losses, net, impairment loss of trade receivables, share of profit/loss of a joint venture and associates, finance income as disclosed in the consolidated income statement
- (2) The direct economic value allocated includes cost of sales, selling and marketing expenses, administrative and other operating expenses, finance costs, income tax expense and dividends as disclosed in the consolidated income statement
- (3) Direct economic value retained = Direct economic value produced - Direct economic value allocated

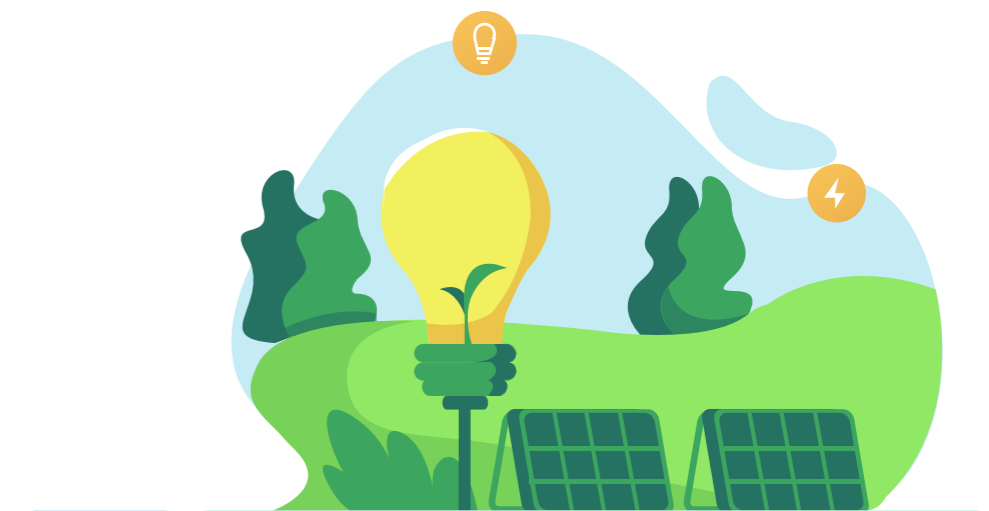
Business Performance

The Group is the world's largest solar glass manufacturer. In the report "Renewables 2021 - Analysis and forecast to 2026", the IEA estimates that nearly 160GW of new PV installations will be installed worldwide in 2021. If based on an estimated DC/AC ratio of 1.2, the solar glass sold by the Group in 2021 can meet the global solar module demand of more than 67GW, which is equivalent to reducing the carbon dioxide emissions by 50 million tonnes per year^{Note 1}. For more information on the energy saving, emission reduction and carbon management measures adopted by the Group, please refer to the "Sustainable Businesses" section and "Climate Action" section in this Report.

The Group is also a leading non-state-owned solar farm owner and operator in China. Since 2012, the Group has been investing in the construction of solar farm projects, including electricity provision for self-use distributed projects, utility-scale centralised solar farms and commercial distributed projects. As of the end of 2021, the Group's total investments in fixed assets of grid-connected and under-construction solar farm projects reached HK\$18.3 billion. In 2021, the Group newly added 580MW solar farm projects. As at 31 December 2021, the cumulative installed capacity of the Group's solar farm projects reached 4,073MW, with an annual power generation of over 3,695.5 million kWh, equivalent to saving standard coal 1.127 million tonnes, preventing 3.075 million tonnes of carbon dioxide equivalent emissions. For the ecological benefits and case study of the Group's solar farm projects, please refer to the paragraph headed "Symbiosis and Coexistence Development Model" in the "Sustainable Businesses" section of this Report.

Note:

- (1) This value is estimated based on the "Snapshot of Global PV Markets 2021", "Solar PV Tracking Report - November 2021" and "Renewables 2021" issued by the IEA. According to the IEA, the cumulative global PV installations reached 760.4GW by 2020, which was equivalent to a reduction in CO₂ emissions of 683 million tonnes in 2020 based on the total electricity generated by the cumulative PV installation. The global solar PV capacity additions in 2021 recorded 160GW. Considering the Group's global market share, we supplied solar glass for around 56GW installed capacity in 2021, equivalent to a reduction in CO₂ emissions of over 50 million tonnes for the corresponding year



Business Ethics

Anti-corruption

The Group strictly complies with the anti-corruption and bribery laws of the locations where it operates, such as the "Criminal Law of the People's Republic of China", the "Prevention of Bribery Ordinance of Hong Kong", the "Anti-corruption Commission Act" of Malaysia and its amendments, and has "zero tolerance" for any form of corrupt behaviour. The Group thoroughly implements the Xinyi Group Integrity Management System in its daily operations, which requires all employees to stringently comply with laws and regulations and the Group's code of business ethics when handling the Group's business and conducting business affairs, and strictly prohibits soliciting and accepting bribes or improper benefits from others, as well as offering bribes or providing improper benefits to business partners, partners' agents and public officials.

The Group has established a standardised internal code of conduct and guidelines, an effective supervisory mechanism and a stringent reward and punishment policy. The internal control centre carries out daily internal control supervision, and strengthens control by conducting regular on-site integrity inspections to ensure smooth reporting channels, objective and fair investigation and handling, and to fully protect the privacy and other legitimate rights of the whistleblower and the person being reported. The Group's monitoring mechanism on integrity matters has not been adjusted during the Reporting Period. The Group encourages its employees, business partners and members of the public to report any corrupt behaviour related to the Group through various channels, including but not limited to letters, emails, telephone, etc. After receiving the reported case, the commissioner of the internal control centre will conduct a preliminary review and set up a team of specialists to investigate the case according to the results of the preliminary review. The investigation and processing should be completed within 30 days normally (at most 60 days) after the case is received. The internal control centre will establish and maintain a separate file for each case that is concluded. According to the reporting system for integrity matters, for employees who violate the Group's internal integrity policy or being suspected in job-related offences, the internal control centre will make announcement within the Company and also to the society the detailed results through e-mails and the "Integrity Xinyi" WeChat public account within 30 days after the closure of the case.

The Group regularly provides anti-corruption training and integrity education to its employees to enhance their awareness of integrity and keep in mind the law and the Group's business ethics. Since corruption, bribery and other unethical practices have a far-reaching impact on the Group's reputation and business development, the Group has provided pre-job integrity training for new employees, while employees in the key departments or key positions are required to receive on-the-job integrity training. Each year, the internal control centre determines and announces which departments shall receive training and employees in such departments are supposed to participate in it. Besides, the internal control centre reviews the integrity training plans in order to ensure employees in different departments receive trainings on a regular basis and make sure all managers and employees keep the requirements of the Group's integrity policy in mind and hold on to the bottom line of integrity. In 2021, all production bases have arranged at least one integrity training, which included legal provisions, corporate integrity culture, common behaviours that violate the internal integrity policy, integrity management system and reporting procedures, and integrity warning cases, etc.

As the integrity of the transaction is of great importance to both parties, in addition to strengthening internal integrity management, the Group has also entered into integrity agreements with all suppliers, requiring both parties to commit to strictly comply with the laws and regulations in business transactions, prohibiting any form of bribery, and encouraging suppliers to prevent their own bribery and corrupt practices at a higher standard than the laws and regulations. Integrity and anti-corruption is also one of the regulations that the Group specifies in the Code of Conduct for suppliers that all suppliers must comply with.

During the Reporting Period, there were no legal proceedings concluded against the Group or its employees in relation to corrupt behaviours and there were no confirmed incidents of termination or non-renewal of contracts with business partners due to corrupt practices.

Product Responsibility

The Group implements the ISO9001:2015 quality management system to monitor product quality and strictly enforces quality inspection management procedures to control the raw materials, the entire production process and finished products in accordance with the Group's "Quality Control Manual". The Group's solar glass products have obtained the China Compulsory Certification (CCC) and also met international certification standards such as RoHS and REACH.

During the Reporting Period, the Group did not have to recall any sold or delivered products for safety or health reasons. The number of complaints received by the Group in relation to products and services during the Year was 109, a slight increase from 2020 (2020: 77), mainly due to the increase in production and sales scale in 2021. The Group responded to customers' complaints about products and services in a positive manner in accordance with the requirements of the quality complaint handling procedures, and also responded to customer return requests efficiently during the Reporting Period in accordance with standardised return procedures. During the Reporting Period, the complaint handling rate of the Group was 100%. According to the 2021 customer satisfaction survey, customers' satisfaction with the quality of the Group's glass products has further improved.

Due to the heightened interest from business partners, investors and other Stakeholders to life cycle management of the products, the Group has made the following disclosures in its ESG report for the first time on relevant topics in accordance with disclosure requirements on the relevant accounting metrics of SASB:

Indicators	2021
Product recyclable ratio ^{Note 1}	76-100%
Product reusability ratio ^{Note 2}	95%
Product weight recovered during the Reporting Period (tonnes) ^{Note 3}	N/A
Proportion of total sales (%) ^{Note 3}	N/A
Proportion of products that contain IEC62474 declarable substances/arsenic-containing substances/beryllium compounds/antimony compounds (%)	0%

Notes:

- (1) This value is an estimate. According to the research by GreenMatch, a British institution, the recovery rate of glass in crystalline silicon modules can reach 76%. According to the research of KIER and IEA, the recovery rate of solar glass can reach 100% if non-destructive solar module recycling technology is adopted. With reference to "General Technical Requirements for Recycling and Reuse of PV Modules in China", if the solar glass is intact at the time of recycling, the recovery rate can theoretically reach 100%. If it is not fully recycled, the recovery rate will be affected to a certain extent as it needs to go through the process of crushing, removing impurities, cleaning and drying, etc. Therefore, the Group believes that the product recyclable rate of 76-100% is a reasonable estimate.
- (2) This value is an estimate. According to the research by GreenMatch, a British institution, the glass reuse rate in crystalline silicon modules can reach 95%. With reference to "General Technical Requirements for the Recycling and Reuse of PV Modules in China", solar glass can be used directly in the production of photovoltaic modules after processing if it is recycled as intact glass and the parameters such as light transmittance can meet the standard requirements for solar glass for modules. Therefore, the Group believes that the overall reusability of the products is high, but it is not possible to reach 100% because of the wastage during processing, so 95% is a reasonable estimate.
- (3) Since solar glass is a component of PV modules, the recycling and reuse of solar glass in waste PV modules is a part of PV module recycling, and should be handled by professionally qualified organisations. According to the current regulations of China on the main responsibilities of recycling entities and the qualification of processing enterprises, solar glass manufacturers do not assume the main responsibility and do not have the corresponding qualification to perform the services.

The Group believes that the recycling and reuse of PV modules will enter the stage of industrialisation after the introduction of specific policies for the recycling of PV modules in China and the maturity of technology and equipment. Since solar glass is a product with a high recycling rate, it can basically be reused in the production of solar glass except for impurities. Therefore, in the future, the Group will also strengthen communication with customers in related areas and seek cooperation opportunities in product recycling and reuse, so as to help enterprises and the PV industry to further enhance environmental benefits.

For more information on the actions and initiatives taken by the Group for customer relations and product responsibility, please refer to the paragraph headed "Product Lifecycle Management" in the "Sustainable Businesses" section of this Report.

Anti-unfair Competition

During the Reporting Period, the Group complied with the relevant provisions of the "Anti-unfair Competition Law of the People's Republic of China", the "Competition Act 2010" of Malaysia and the Group's code of business ethics, followed the principles of voluntariness, equality, fairness and integrity, consciously safeguarded the order of competition in the market, and strictly prohibited all forms of unfair competition in its business activities. The Group has adopted effective internal monitoring and prevention measures to ensure the regulation of business conduct and is subject to the supervision of national and local governments. The Group is not aware of any legal proceedings against the Group in relation to anti-competition or anti-trust practices during the Reporting Period.

Sustainable Supply Chain

In 2021, 90.7% of the Group's suppliers were from Mainland China (2020: 90.6%). During the Reporting Period, the Group strictly complied with the requirements of "External Supplier Management Procedures" in managing its suppliers, conducting regular assessments on the suppliers in the Qualified Supplier List and ensuring that they continued to meet the standards in terms of legal and labour standards, product research and development, production technology, product quality and prices, supply capability, sales services, occupational safety and health management and environmental and energy performance. For suppliers who fail to meet the standards of regular assessments, the Group will issue warnings and require the suppliers to take rectification action within a certain period of time. Repeated failure to meet the standards within a year will lead to the disqualification of the supplier. During the Reporting Period, the Group made purchases from a total of 2,389 suppliers, all of which were qualified suppliers who met the Group's supplier development and management practices and passed the regular assessment.

Indicators	2021	2020
Number of suppliers	2,389	2,457
By geographical region (%)		
Mainland China	2,168 (90.7%)	2,225 (90.6%)
Overseas (including Hong Kong)	221 (9.3%)	232 (9.4%)

The Group has incorporated the concept of sustainable development into its procurement and supply chain management processes. For more information on the Group's procurement and supply chain management practices, please refer to the paragraph headed "Responsible Procurement" in the "Sustainable Businesses" section of this Report.

Employment and Labour Practices

As at 31 December 2021, the Group had 7,072 employees, representing an increase of 39.2% over previous year, mainly due to the addition of four new production lines with a daily melting capacity of 1,000 tonnes in Wuhu production base during the Year, the commencement of the construction of new production bases in Jiangbei in Wuhu and Zhangjiagang in Jiangsu, and the addition of 580MW of grid-connected capacity in solar farms. During the Reporting Period, the Group's turnover rate increased by 7.8 percentage points to 27.5%, mainly due to the controlled epidemic in China in 2021, which significantly increased the mobility of general employees in the factories, and the flattening of the Group's structure, consequently, the turnover rate of general employees greatly affects the overall turnover rate. The Group's middle and senior management team remained stable with a relatively low turnover rate.

During the Reporting Period, the Group was not aware of any confirmed violations or complaints related to human rights and labour standards that have a material impact on the Group.

Employment Data

Indicators	2021	2020
Number of employees	7,072	5,079
By gender (%)		
Female	19.9%	16.0%
Male	80.1%	84.0%
By age group (%)		
30 or below	40.8%	43.0%
31-40	33.4%	33.3%
41-50	20.5%	18.5%
51 or above	5.3%	5.2%
By geographical region (%)		
Mainland China	87.4%	83.5%
Malaysia	12.4%	15.7%
Other regions	0.2%	0.8%
By employment type (%)		
Full-time	100%	100%
Part-time	N/A	N/A
By employee category (%)		
Senior management	0.4%	0.4%
Middle management	1.2%	1.8%
General employee	98.4%	97.8%

Employment Data (Continued)

Indicators	2021	2020
Turnover rate of employees (%) ^{Note 1}	27.5%	19.7%
By gender (%)		
Female	27.7%	12.5%
Male	27.5%	21.1%
By age group (%)		
30 or below	37.6%	27.9%
31-40	22.6%	15.2%
41-50	19.9%	10.4%
51 or above	9.7%	13.5%
By geographical region (%)		
Mainland China	26.7%	19.7%
Malaysia	33.4%	19.1%
Other regions	6.3%	26.2%

Note:

- (1) Turnover rate = Number of resigned employees in the category/total number of employees in the category at the end of the Reporting Period

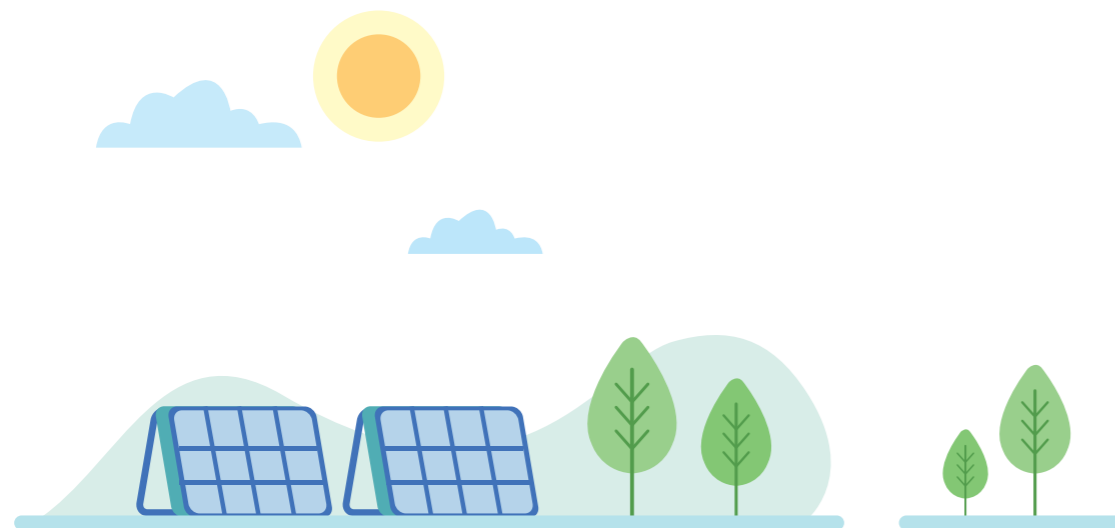
Health and Safety

The Group attaches great importance to the personal safety and health of its employees, and makes every effort to reduce the risk factors in the working environment in order to create a safe working environment. Despite the Group's efforts to establish and improve its safety management system to uphold the Group's strong safety philosophy and implement safety management, and to enhance the safety awareness of its staff through enhanced education and training on safety production, two fatal accidents involving two employees unfortunately occurred in 2021. We are deeply saddened by the accidents and are fully aware of the need to further strengthen safety management and enhance the intensity of safety supervision. Immediately after the accidents, the Group has organised independent investigation teams to conduct investigation in accordance with the "Regulations Governing the Handling of Safety Production Accidents", and made an investigation report on the circumstances, causes and handling of the accident, and proposed corrective measures to prevent the recurrence of similar incidents. The personnel responsible for the accidents have been dismissed, demoted or allotted demerit points in accordance with the company's policies. The two accidents were all caused by the failure to strictly follow the Group's safety management rules and regulations and safety operation procedures. The accidents posed a caveat and showed us that the staff safety awareness and safety supervision should be further strengthened. In order to improve the systematic management of production safety and effectively decrease the possibility of production safety accidents, the Group has established the Safety Committee and set up a two-level safety management structure at the Group level and at the subsidiary level.

Indicators	2021	2020	2019
Number of work-related fatalities ^{Note 1}	2	0	0
Work-related fatal accident rate ^{Note 2}	0.028	N/A	N/A
Number of work-related injuries ^{Note 3}	46	30	15
Work injury rate ^{Note 4}	0.65	0.6	N/A
Number of work days lost ^{Note 5}	1,657	734	959
Number of workdays lost due to work-related injuries per 100 full-time employees equivalent ^{Note 6}	23.4	14.5	26

Notes:

- (1) The definition of work-related fatalities is consistent with the definition of the relevant local labour laws
- (2) The Work-related fatal accident rate is calculated according to the requirements of GRI 403: Occupational Health and Safety 2018 Disclosure Item 403-9
- (3) Based on the definition under the relevant labour laws in the places where the Group operates, excluding the traffic accidents that happen when taking the vehicles not provided by the Group during commuting or minor work-related injuries
- (4) Work injury rate has been disclosed since 2020 as the number of reported work-related injuries per 100 full-time employees equivalent
- (5) Workdays lost represents the absence for one or more workdays lost due to work-related injuries (including the day of injury)
- (6) Workdays lost due to work-related injuries per 100 full-time employees equivalent (or the rate of workdays lost) = total workdays lost/total working hours*annual working hours per 100 full-time employees equivalent. Annual working hours per 100 full-time employees equivalent is calculated by referencing to the standard working hours required by the local labour laws in each of the locations where our business operates. The standard annual number of working hours per 100 full-time employees equivalent in Malaysia is 240,000 hours and in other regions is 200,000 hours



During the Reporting Period, the Group was not prosecuted for any occupational health and safety matters. For more information on the Group's philosophy, procedures and practices on production safety management and occupational safety and health, as well as the measures taken during the Reporting Period to enhance control systems to ensure production safety and employee health, please refer to the paragraph headed "Occupational Safety and Health" in the "Friendly Team" section in this Report.

Training and Development

During the Reporting Period, the Group further streamlined the training courses and tailored the training to different positions to avoid repetition and waste, thus ensuring the efficiency of training while freeing up more spare time for employees to do more exercise and develop healthy lifestyle habits to cope with the epidemic. The newly added employees shall receive systematic training to understand the Group's rules and procedures and equip themselves with the basic knowledge and necessary skills required by their positions. Due to the stability of the management team, the newly added employees are mainly the front line employees of new production lines and new production bases that are under construction. As such, the staff participating in the training are mainly general employees.

Indicators	2021	2020
Total hours of training received by employees	47,994	43,142
Average hours of training received by employees ^{Note 1}	6.8	8.5
By gender (hours)		
Female	6.2	6.4
Male	6.9	8.9
By employee category (hours)		
Senior management	0.5	3.2
Middle management	3.7	4.3
General employees	6.8	8.6
Number of employees trained	39,645	31,171
By gender (%)		
Female	20.5%	12.0%
Male	79.5%	88.0%
By employee category (%)		
Senior management	0.03%	0.1%
Middle management	0.39%	0.8%
General employees	99.58%	99.1%

Note:

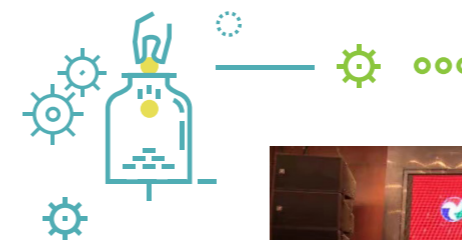
(1) Average hours of training received by employees = Total hours of training received by employees/Total number of employees at the end of the Reporting Period

For more information on the Group's actions on talent development and management and caring for talents, please refer to the "Friendly Team" section in this Report.

Social Welfare and Community Involvement

The Group strives to be a responsible enterprise, not only by taking the initiative and setting an example in economic performance, technological research and development and the long-term structure of the industry, but also by translating the core value of "treating the world well" into action in matters of social welfare and long-term development of the community, truly achieving "what is taken from the society will be used on the society", making reasonable use of resources and leveraging its business advantages to assume its social corporate responsibility.

In May 2021, a subsidiary of the Group invested RMB2 million to establish Wuhu Xinyi Charity Foundation, which is dedicated to console and grant privileges to polices, rewarding outstanding doctors and teachers, conducting educational activities, helping natural disasters, and preventing and fighting pandemic. In November, the Group donated its entire equity interest in Wuhu Xinyi Solar Technology Company Limited, which owns and operates a 16MW distributed solar power generation project, to Wuhu Xinyi Charity Foundation. The revenue generated by the company will continue to provide the Foundation with a stable cash flow to support the charitable and relief activities it organises and participates in. The form of equity donation has also created a precedent for charity works in Anhui Province.



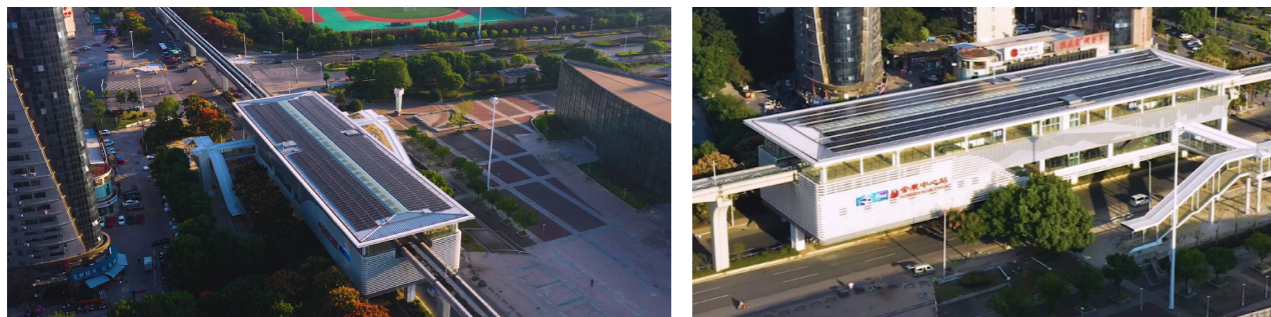
In addition, the Group's subsidiary in Malaysia and a number of power stations have also actively participated in local charity works, caring the disadvantaged through donations and supplies, etc., and helping the local people to fight against the pandemic and disasters. During the Reporting Period, the Group donated money and materials with a total value of HK\$72.915 million (2020: HK\$15.713 million).



The Group also encourages its employees to do more good, and to convey warmth to the disadvantaged by actively participating in the volunteer services of the Group or the community. Colleagues from the Hong Kong subsidiary actively participated in the activities of the Xinyi Volunteer Team during the Year, including the distribution of lucky bags and giving Mid-Autumn Festival blessings to 200 grassroots elders as organised by Lok Sin Tong; participating Tung Wah Group of Hospitals flag-selling activity to raise funds for social welfare and education services for the Tung Wah Group of Hospitals, the largest charity organisation in Hong Kong; participating in the Community Chest Dress Casual Day to promote the public welfare concept of "doing good deeds and appreciating the small happiness in life together" and to raise funds for the Community Chest of Hong Kong.



In addition to participating in charity works, the Group also makes full use of its business expertise to contribute to the sustainable development and carbon reduction goals of the local communities. During the Reporting Period, the Group and Wuhu Railway Transportation Company Limited jointly built distributed PV power stations at 34 stations of the first cross-seat monorail in Anhui Province, with a total installed capacity of 8.5MW, which is currently the largest PV plus railway transportation project in China, with an annual power generation capacity of 9.35 million kWh, which can supply 20% of the stations' electricity consumption, equivalent to an annual carbon dioxide emission reduction of approximately 7,800 tonnes.

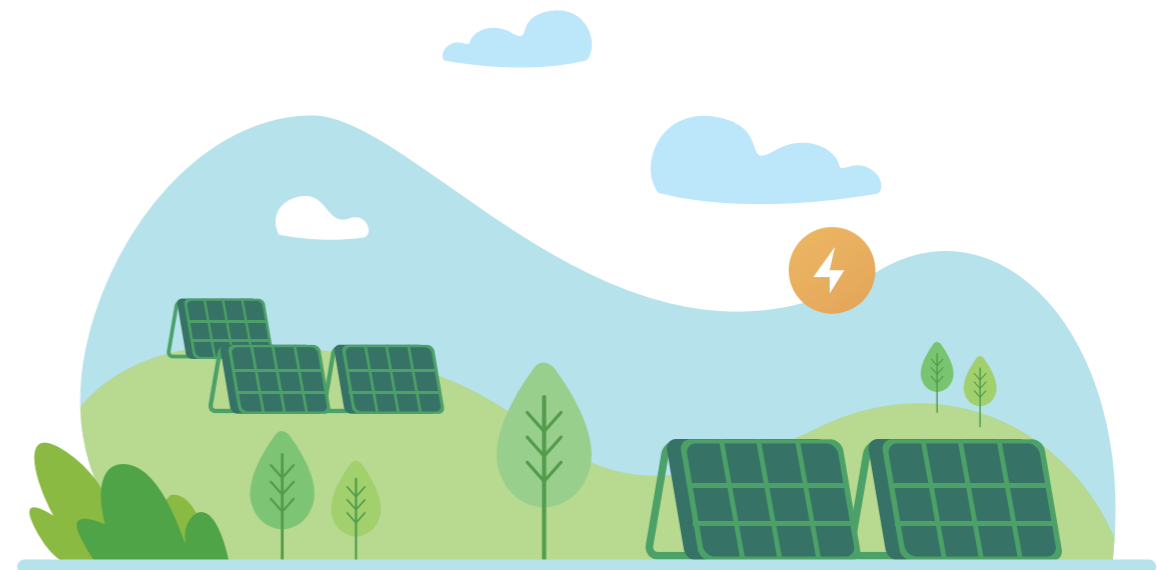


Environmental Governance

Unless otherwise stated, the energy, water and other resources consumption data and greenhouse gas and other emission data only cover the Group's solar glass production operations in Mainland China and Malaysia. The Group's subsidiaries in Hong Kong and Canada have not been covered in this Report as their operations only had limited impact on the environment. In the future, the Group will continue to monitor and regularly assess their environmental impacts and will include their data in future reports if necessary.

Solar energy is a renewable energy source that produces almost no air pollutant emissions and has low energy and water consumption, making it a key contributor to the global energy transition and the achievement of climate goals. Compared to traditional energy sources, it largely avoids the negative effects of energy production and consumption on the local environment, resources and public health. Therefore, the Group has separately presented the environmental benefit indicators of the solar farm business so as to provide a clearer picture of the positive environmental benefits of the green electricity generated from the Group's solar PV equipment during the Reporting Period.

During the Reporting Period, the Group was not aware of any confirmed violations or complaints related to environmental protection that had a material impact on the Group, nor did the Group have any solar glass production lines and solar farm projects of which development and construction had been suspended for ecological reasons.



Environmental Performance of Solar Glass Business

Consumptions of Energy, Water Resources and Other Resources

Indicators	2021	2020 (Adjusted)	Year-on-year
			Change ^{Note 6}
Total energy consumption (MWh)	9,768,624	7,399,598	
Direct energy consumption ^{Note 1} (MWh)	8,533,205	6,516,001	
By energy type (%)			
• Natural gas	95.37%	95.29%	
• Gasoline/diesel	0.06%	0.09%	
• Residual heat power generation	3.16%	2.76%	
• Solar power generation	1.41%	1.86%	
Indirect energy consumption ^{Note 2} (MWh)	1,235,419	883,597	
Energy consumption intensity (kWh/m² of finished product)	19.73	20.56	-4.0%
Total water consumption (million m³)	8.202	6.352	
Production water consumption ^{Note 3}	7.959	6.069	
Domestic water consumption ^{Note 4}	0.243	0.283	
Water consumption intensity (m³/m² of finished product) ^{Note 7}	0.017	0.019	-10.5%
Utilisation rate of recycled water (%) ^{Note 7}	95.6%	95.0%	+0.6pcts
Capacity ratio in areas with high/extremely high baseline water pressure (%) ^{Note 5}	0%	N/A	
Total amount of packing materials used (tonnes)	53,608	37,880	
Wood, wood slats and wood pallets (tonnes)	27,475	17,332	
Paper and paper boxes (tonnes)	18,857	12,828	
Plastic, plastic stripes and plastic tapes (tonnes)	7,193	7,664	
Other packaging materials (tonnes)	83	56	
Packing products used per unit (g/m² of finished products)	108	111	-2.7%
Utilisation rate of paperless packing (%)	34.4%	43.6%	-9.2pcts ^{Note 8}

Notes:

- (1) In accordance with the recommendations of the "Reporting Guidance on Environmental KPIs", the Group has included internally generated energy from equipment owned/controlled by the Group (i.e., electricity generated from residual heat power generation equipment and rooftop distributed PV power generation equipment) when accounting for direct energy consumption
- (2) Indirect energy consumption represents indirect energy (i.e., purchased electricity) purchased from external sources and consumed by the Group
- (3) Production water consumption is calculated based on the amount of new water intake consumed in production, i.e., it is equivalent to total water intake, excluding recycled water consumption. As adjustments have been made in some production sites for the accounting scope of production water consumption for the year 2021 in accordance with the requirements of local environmental regulators, production water consumption for the year 2020 was restated by adopting the same calculation basis, so as to ensure consistency
- (4) Domestic water consumption is calculated based on the amount of water billed for the living area and is apportioned in the proportion to the number of employees in the living area
- (5) Newly disclosed figures for the Reporting Period according to the requirements of SASB; therefore, no comparative figure is available
- (6) Only the year-on-year change of comparable figures of unit consumption are provided. As the Group's production capacity increased by more than 36% year-on-year, the total consumption of energy, water resources and packaging materials were thus increased. Using the unit consumption figures for comparison can provide a clearer picture of the Group's resource efficiency performance
- (7) During the Reporting Period, the accounting scope of production water consumption has been adjusted by the environmental regulators in some production sites. To follow the principle of consistency, production water consumption, water consumption intensity and water recycling rate in 2020 were adjusted by adopting the same calculation basis as in 2021
- (8) During the Reporting Period, the decrease in the utilisation rate of paperless packaging was mainly attribute to (1) the decrease in the utilisation rate of iron pallets because of longer recycling time as a result the pandemic and market factors while paperless packing only used together with iron pallets; (2) the change in product mix, the specification of iron pallets cannot fully meet the requirements of new products and thus the iron pallet utilisation rate for new products was low; (3) for some product types, customers did not accept paperless packaging for the time being

Greenhouse Gas and Other Emissions

Indicators	2021	2020	Year-on-year change ^{Note 5}
Total greenhouse gas emissions ^{Note 1} (tonnes of CO₂ equivalent)	3,249,629	2,522,913	
Direct emissions ^{Note 2} (tonnes of CO ₂ equivalent)	2,417,539	1,912,360	
Indirect emissions ^{Note 3} (tonnes of CO ₂ equivalent)	832,090	610,553	
Greenhouse gas emissions intensity (kg CO₂ equivalent/m² of finished product)	6.56	7.04	-6.8%
Major air pollutant emissions			
Nitrogen oxides (NO _x)			
• Amount of emissions (tonnes)	3,568	4,105	
• Emission reduction ^{Note 4} (%)	84.1%	81.6%	+2.5 pts
Sulphur dioxide (SO ₂)			
• Amount of emissions (tonnes)	1,386	1,482	
• Emission reduction ^{Note 4} (%)	66.6%	60.5%	+6.1 pts
Particulates (smoke and dust)			
• Amount of emissions (tonnes)	133	260	
• Emission reduction ^{Note 4} (%)	91.7%	83.4%	+8.3 pts
Hazardous and non-hazardous wastes generated			
Hazardous wastes generated (tonnes)	112.9	92	
Hazardous waste intensity (g/m² of finished product)	0.23	0.27	-14.8%
Non-hazardous wastes generated (tonnes)	38,557	16,200	
Non-hazardous waste intensity (g/m² of finished product)	77.9	47.4	+64.3% ^{Note 6}

Notes:

- Total greenhouse gas emissions are the sum of direct and indirect emissions
- Direct emissions (scope 1 emissions) are greenhouse gas emissions generated directly from solar glass furnaces due to the consumption of fuel (natural gas) and the decomposition of raw materials in the production of glass, calculated according to the formula proposed in the "Accounting Methods and Reporting Guide on Greenhouse Gas Emissions of Enterprises Producing Flat Glass in China"
- Indirect emissions (scope 2 emissions) are greenhouse gas emissions from the Group's consumption of electricity purchased from external sources, calculated according to the formula proposed in the "Accounting Methods and Reporting Guide on Greenhouse Gas Emissions of Enterprises Producing Flat Glass in China"
- Reduction in major air pollutant emissions = (1 - Such type of air pollutant emissions/Amount generated) × 100%
- Only year-on-year change figures of unit emission/generation are provided. As the Group's production capacity increased by more than 36% year-on-year, the total amount of greenhouse gas, hazardous and non-hazardous wastes generated increased. Using the unit emission/generation figures for comparison can provide a clearer picture of the Group's emission reduction efficiency performance
- During the Reporting Period, the Group recorded a significant increase in non-hazardous waste intensity, which was mainly due to: (1) more solid waste generated from the trial run of new production lines and equipment during the initial operating stage; (2) Beihai production base only commenced operation in the second half of 2020 and fully operated throughout 2021 and most of the environmental protection equipment commenced operation in 2021, thus the generation of environmental protection by-products in 2021 increased; (3) due to the tightening of environmental control, the number of environmental protection equipment runs increased; (4) due to changes in regulatory statistical requirements, some solid waste is calculated on a wet basis in 2021 (dry basis in 2020)

Environmental Performance of Solar Farm Business

Indicators	2021	2020
Annual power generation of solar farms (million kWh)	3,695.5	2,772.9
Equivalent to standard coal savings ^{Note 1} (thousand tonnes)	1,126.8	849.6
CO ₂ emission reduction ^{Note 1} (thousand tonnes)	3,074.7	2,323.7
Electricity demand of households to be met ^{Note 2} (thousand households)	1,539.8	1,386.5
Equivalent to the amount of trees planted (thousand trees)	133,680.4	101,031.1

Note:

- The figures are calculated based on the annual conversion factors of the corresponding year provided in the "Annual Report on the Electricity Industry in China" published by the China Electricity Council
- Referenced to the latest official media report on homes electricity consumption data in China, 2,400 hours and 2,000 hours in 2021 and 2020, respectively.

For more information on the Group's green development philosophy and practices in its solar glass business as well as the energy saving and emission reduction actions taken during the year, please refer to the paragraph headed "Sustainable businesses" in the "Green Manufacturing" section in this Report.

APPENDIX

Awards and Certifications

Awards



Best Environmental, Social and Corporate Governance Company (Institutional Investor)



Most Honoured Company (Institutional Investor)



The World's 100 Most Sustainable Corporations in 2022 (Corporate Knights)



The 5th China Excellent IR 2021-2022 Best ESG Award (International Road Show Centre)



Best Investor Relations Company (Large-cap) (Hong Kong Investor Relations Association)



Water-saving Enterprise (The People's Government of Tianjin)

Certifications



ISO9001:2015 Standards for Quality Management System (TÜV SÜD Management Service GmbH)



ISO14001:2015 Standards for Environmental Management System (TÜV SÜD Management Service GmbH)



ISO45001:2018 Standards for Occupational Health and Safety Management System (TÜV SÜD Management Service GmbH)



China Compulsory Certification (CCC) (China Building Material Test & Certification Group Company Limited)



RoHS Certification (SGS)



REACH Certification (SGS)

2021 ESG Report Guide Content Index

HKEx ESG Reporting Guide	GRI Content Index (according to the standard of the latest version)	Section	Page Number
Part A: Introduction			
Overall Approach: 7	GRI 101-Clause 1.1, GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44	Materiality Assessment	14-17
Overall Approach: 8	GRI 101-Clause 1.3, GRI 101-Clause 2.1, GRI 101-Clause 2.3.1, GRI 101-Clause 2.5.3	Materiality Assessment	16-21
Overall Approach: 10	GRI 102-26, GRI 102-32	Message from Our Chairman and CEO	3
		ESG Governance Structure	28-29
Reporting Principles: 11	GRI 101-Clause 1.3, GRI 101-Clause 1.6, GRI 101-Clause 1.8	About this Report	8-9
		Materiality Assessment	16-21
Part B: Mandatory Disclosure Requirements			
Governance Structure: 13	GRI 102-15, GRI 102-29, GRI 102-30, GRI 102-31, GRI 103-1	Message from Our Chairman and CEO	2-7
		Materiality Assessment	16-21
		SDGs and Corporate Action	34-41
Reporting Principles: 14	GRI 101-Clause 1.3, GRI 101-Clause 1.5, GRI 101-Clause 1.8, GRI 102-40, GRI 102-42, GRI 102-44	About this Report	8-9
		Materiality Assessment	14-21
		ESG Performance in 2021	94
Reporting Boundary: 15	GRI 102-45	About this Report	8
Part C: "Comply or explain" Provisions			
Subject Area A: Environmental			
Aspect A1 Emissions: General Disclosure	GRI 103-2, GRI 305, GRI 306-1, GRI 306-2, GRI 307	Law-abiding Business	30
		Management System	32-33
		Environmental Compliance	60-61
		Emission and Treatment of Greenhouse Gas and Other Pollutants	64-65
KPI A1.1	GRI 305-7	Emission and Treatment of Greenhouse Gas and Other Pollutants	63-65
		ESG Performance in 2021 - Environmental Governance	108
KPI A1.2	GRI 305-1, GRI 305-2, GRI 305-4	Emission and Treatment of Greenhouse Gas and Other Pollutants	63
		ESG Performance in 2021 - Environmental Governance	108
KPI A1.3	GRI 306-3-a	Emission and Treatment of Greenhouse Gas and Other Pollutants	63
		ESG Performance in 2021 - Environmental Governance	108

HKEx ESG Reporting Guide	GRI Content Index (according to the standard of the latest version)	Section	Page Number
Part C: "Comply or explain" Provisions			
Subject Area A: Environmental			
KPI A1.4	GRI 306-3-a	Emission and Treatment of Greenhouse Gas and Other Pollutants ESG Performance in 2021 - Environmental Governance	63 108
KPI A1.5	GRI 103-2, GRI 305-5	SDGs and Corporate Action Green Production Base Emission and Treatment of Greenhouse Gas and Other Pollutants	38-40 61 64-65
KPI A1.6	GRI 103-2-c-vii, GRI 306-2-c	Green Production Base Emission and Treatment of Greenhouse Gas and Other Pollutants	61 64-65
Aspect A2 Use of Resources: General Disclosure	GRI 103-2-c-i, GRI 301, GRI 302, GRI 303	Law-abiding Business Management System Environmental Compliance Energy and Water Resources Management Environmental Protection Actions in the Non-production Section of Solar Glass	30 32-33 60-61 62-63 66-67
KPI A2.1	GRI 302-1, GRI 302-3, GRI 302-5-a, GRI 302-4	Energy and Water Resources Management ESG Performance in 2021 - Environmental Governance	62-63 106-107
KPI A2.2	GRI 303-5-a, GRI 303-5-b	Energy and Water Resources Management ESG Performance in 2021 - Environmental Governance	62-63 106-107
KPI A2.3	GRI 103-2, GRI 302-4, GRI 302-5	Green Production Base Energy and Water Resources Management	61 62-63
KPI A2.4	GRI 103-2, GRI 303-1-d, GRI 303-2-a-iii, GRI 303-5-b	SDGs and Corporate Action Green Production Base Energy and Water Resources Management	40 61 63
KPI A2.5	GRI 301-1, GRI 301-2	Environmental Protection Actions in the Non-production Section of Solar Glass SDGs and Corporate Action ESG Performance in 2021 - Environmental Governance	66-67 40 106-107
Aspect A3 The Environment and Natural Resources: General Disclosure	GRI 103-2, GRI 301, GRI 302, GRI 303, GRI 304, GRI 305, GRI 306	SDGs and Corporate Action About the Group Green Production Base Symbiosis and Coexistence Development Model	34-37 10-12 61 74-75
KPI A3.1	GRI 103-2-c-vii, GRI 301-3, GRI 302-4, GRI 302-5, GRI 303-1, GRI 305-5, GRI 306-2	SDGs and Corporate Action Emission and Treatment of Greenhouse Gas and Other Pollutants Energy and Water Resources Management Environmental Protection Actions in the Non-production Section of Solar Glass Symbiosis and Coexistence Development Model	38-41 63-65 62-63 66-67 74-75

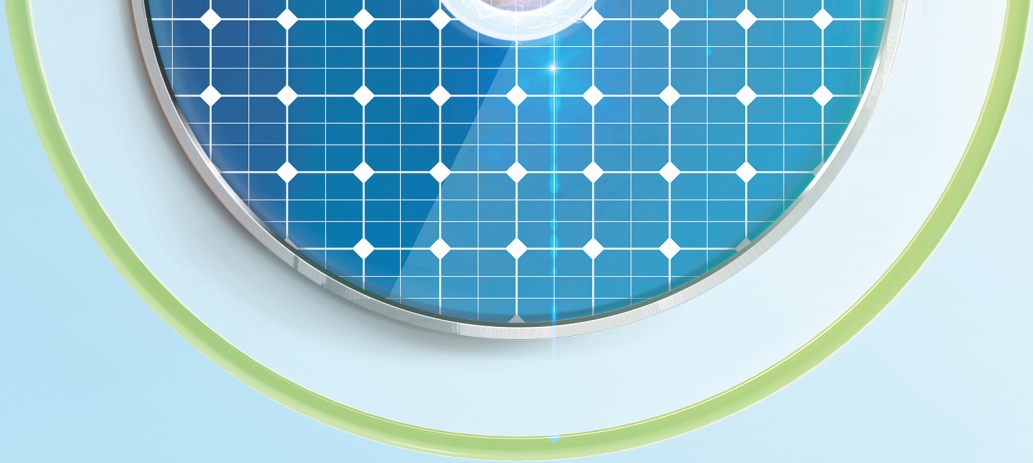


HKEx ESG Reporting Guide	GRI Content Index (according to the standard of the latest version)	Section	Page Number
Part C: "Comply or explain" Provisions			
Subject Area A: Environmental			
Aspect A4 Climate Change: General Disclosure	GRI 103-2, GRI 201-2-a, GRI 102-29	Climate Action	42-47
KPI A4.1	GRI 103-2-c-vii, GRI 201-2-a	Climate Action	48-57
Subject Area B: Social			
Employment and labour Practices			
Aspect B1 Employment: General Disclosure	GRI 103-2, GRI 401-2, GRI 401-3, GRI 405-1, GRI 406	Law-abiding Business Employment Compliance Remuneration Package and Employee Care Diversity, Inclusion and Equal Development Opportunities	31 78-80 81-83 88
KPI B1.1	GRI 405-1-b	ESG Performance in 2021 - Employment and Labour Practices	99
KPI B1.2	GRI 401-1-b	ESG Performance in 2021 - Employment and Labour Practices	100
Aspect B2 Health and Safety: General Disclosure	GRI 103-2, GRI 403-1	Law-abiding Business Management System SDGs and Corporate Action Occupational Safety and Health	31 32-33 34-37 84-87
KPI B2.1	GRI 403-9-a-i	ESG Performance in 2021 - Employment and Labour Practices	101
KPI B2.2	GRI 403-9-a-iii, GRI 403-9-a-v, GRI 403-9-e	ESG Performance in 2021 - Employment and Labour Practices	101
KPI B2.3	GRI 103-2-c-vii, GRI 403-1, GRI 403-3, GRI 403-5, GRI 403-6	Occupational Safety and Health ESG Performance in 2021 - Employment and Labour Practices	84-87 101-102



HKEx ESG Reporting Guide	GRI Content Index (according to the standard of the latest version)	Section	Page Number
Part C: "Comply or explain" Provisions			
Subject Area B: Social			
Employment and labour Practices			
Aspect B3	GRI 403-5, GRI 404-2-a	Employment Compliance	78
Development and Training: General Disclosure		Diversity, Inclusion and Equal Development Opportunities - Training and Promotion Mechanism	92-93
KPI B3.1	N/A	ESG Performance in 2021 - Employment and Labour Practices	102
KPI B3.2	GRI 404-1	ESG Performance in 2021 - Employment and Labour Practices	102
Aspect B4	GRI 103-2-c-i, GRI 408, GRI 409	Law-abiding Business	31
Labour Standards: General Disclosure		Employment Compliance SDGs and Corporate Action	78-80 36-37
KPI B4.1	GRI 408-1-c, GRI 409-1-b	Employment Compliance	78-80
KPI B4.2	GRI 408-1-c, GRI 409-1-b	Employment Compliance	78-80
Operating Practices			
Aspect B5	GRI 103-2-c-i, GRI 204, GRI 308, GRI 414	SDGs and Corporate Action	34-37
Supply Chain Management: General Disclosure		Responsible Procurement	70-71
KPI B5.1	GRI 102-9, GRI 204-1	ESG Performance in 2021 - Sustainable Supply Chain	98
KPI B5.2	GRI 103-2	Responsible Procurement ESG Performance in 2021 - Sustainable Supply Chain	70-71 98
KPI B5.3	GRI 103-2	Responsible Procurement	70-71
KPI B5.4	GRI 103-2	Responsible Procurement	70-71

HKEx ESG Reporting Guide	GRI Content Index (according to the standard of the latest version)	Section	Page Number
Part C: "Comply or explain" Provisions			
Subject Area B: Social			
Operating Practices			
Aspect B6	GRI 103-2-c-i, GRI 416-1, GRI 418	Management System	32-33
Product Responsibility:		Customer Management	72-74
General Disclosure		ESG Performance in 2021 - Product Responsibility	97-98
KPI B6.1	GRI 416-2-b	ESG Performance in 2021 - Product Responsibility	97
KPI B6.2	GRI 102-43, GRI 102-44	Customer Management	73
		ESG Performance in 2021 - Product Responsibility	97
KPI B6.3	N/A	Customer Management	73-74
KPI B6.4	N/A	Customer Management	72-73
KPI B6.5	GRI 103-2-c-vii, GRI 418-1-c	Customer Management	74
Aspect B7	GRI 103-2-c-i, GRI 205	Law-abiding Business	31
Anti-corruption:		ESG Performance in 2021 - Business Ethics	96
General Disclosure			
KPI B7.1	GRI 205-3	ESG Performance in 2021 - Business Ethics	96
KPI B7.2	GRI 103-2-c-vii	ESG Performance in 2021 - Business Ethics	96
KPI B7.3	GRI 205-2	ESG Performance in 2021 - Business Ethics	96
Community			
Aspect B8	GRI 413-1	About the Group	10-12
Community Investment:		Materiality Assessment	14-19
General Disclosure		SDGs and Corporate Action	34-37, 41
		ESG Performance in 2021 - Social Welfare and Community Involvement	103-104
KPI B8.1	GRI 203-1-a, GRI 203-1-b	ESG Performance in 2021 - Social Welfare and Community Involvement	103-104
		Symbiosis and Coexistence Development Model	74-75
KPI B8.2	GRI 203-1-a, GRI 203-1-b	ESG Performance in 2021 - Social Welfare and Community Involvement	103-104
		Symbiosis and Coexistence Development Model	74-75



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