Sunny Optical achieves SLB target as broader group emissions intensity suggest a more gradual trend

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Sunny Optical (ticker: SUNOTG) disclosed in its 24 Apr 2026 ESG report that its USD 400 million Sustainability-Linked Bond (SLB) (ISIN XS2555677215) has achieved its Sustainability Performance Target (SPT). "*With 2021 as the baseline year and 2025 as the target year, the performance target was set to reduce GHG emission intensity by 20% in 2025 compared with the baseline year.In 2025, the Group's GHG emission intensity stood at 7.0 tons of CO_2e per RMB one million in revenue, representing a decrease of 32.0% from the baseline year, thereby achieving the set target."*[1]As a result, the bond will redeem at par, with no 0.50% redemption premium triggered.

In our previous analysis, we assigned a ranking of 50:50 indicating substantial uncertainty, given that reported SLB emissions intensity remained approximately 17% above the FY2021 baseline at end-2024, implying that a significant improvement within a single year would have been required to reach the SPT threshold of a 20% reduction versus baseline.[2]

As shown in Figure 2, the reported FY2025 emissions intensity of 7.0 tCO_2e per RMB million of revenue refers specifically to the scope of SLB KPI, comprising four principal subsidiaries rather than the full consolidated group.[3] By contrast, Figure 1 shows consolidated group emissions intensity declining more gradually at approximately 10% relative to the 2021 base year.

Figure 2. SLB KPI scope emissions intensity and change from baseline. Source: Sunny Optical.

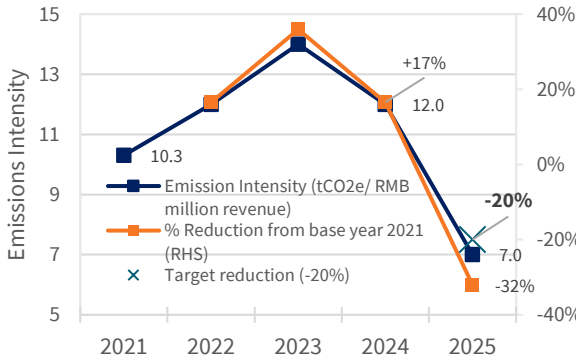
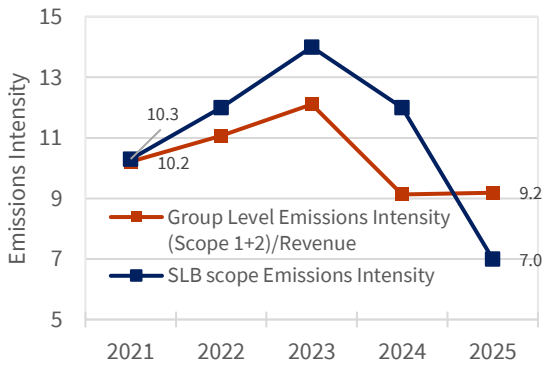


Figure 1. Sunny Optical Group and SLB boundary emissions intensity. Source: Sunny Optical.



While the SLB target was achieved, additional disclosure would help contextualise the KPI outcome within broader corporate emissions trends.

[1] Pg 53, "2025 ESG Report", Sunny Optical Technology, 24 Apr 2026.
[2] "Sunny Optical SLB: chance of receiving 0.50% redemption premium", AFII, 26 Jan 2026.
[3] Pg 76, The 2023 SLB framework states that the KPI applies to four principal subsidiaries, which accounted for more than 90% of the group's revenue and Scope 1 and Scope 2 emissions over the preceding five years."Offering Circular: Sunny Optical 5.95% Sustainability-Linked Bonds due 2026", accessed 22 Jan 2026.

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Drivers of SLB emissions intensity improvement and divergence with group

Several factors may explain the difference between the reported SLB KPI outcome and broader consolidated group trends.

Methodology changes

Methodology changes contribute to the reported improvement. The headline 32% reduction incorporates two changes relative to the original SLB baseline methodology: the use of updated electricity emission factors (moving from the older 2012 East China grid emission factor to newer national grid factors), and revised refrigerant accounting methodology (moving from a charge-based method to a fugitive emissions approach).

Table 1. Comparison of reported and recalculated emissions intensity. Source: Sunny Optical ESG reports.

Scenario	2021 Baseline	2024 Intensity	2025 Intensity	Change vs baseline (2025)
Reported SLB disclosure	10.3	12.0	7.0	-32.0%
Original East China grid factor applied consistently (2012)	10.3	12.0	8.1	-21.4%
Updated national emission factor applied consistently	8.9	10.0	7.0	-21.3%
Refrigerant accounting method sensitivity (fugitive emissions)	10.4	n.a.	8.1	-22.1%
Refrigerant accounting method sensitivity (charge-based)	10.3	n.a.	8.0	-22.3%

To assess the impact of these changes, the company provided sensitivity analysis using consistent assumptions between the baseline and FY2025. Using either the original electricity emission factor methodology or the updated grid factors on a like-for-like basis, and adjusting for the refrigerant accounting treatment, the implied reduction is approximately 21–22%, rather than the reported 32%, as shown in Table 1.

This suggests that methodological changes contributed to the magnitude of the reported improvement. However, even under these alternative assumptions, the implied reduction remains above the 20% SPT threshold, suggesting the target would still have been achieved.

SLB KPI scope vs Group scope

The SLB KPI scope is calculated across four principal subsidiaries, which the January 2023 SLB framework states historically represented more than 90% of group revenue and Scope 1 and Scope 2 emissions in the prior five years. However, current public disclosures do not provide updated FY2025 contribution data for these entities as a share of consolidated group revenue or emissions. Given the stronger KPI improvement relative to consolidated group performance, direct comparison with broader group trends remains less straightforward.

Operational energy mix and certificate transactions

The company attributes the reported improvement to renewable electricity procurement, self-built photovoltaic generation, and energy-efficiency upgrades.

At the consolidated group level, renewable energy share increased from 14.9% in 2022 to 38.1% in 2025. The company also disclosed approximately 369,710.9 MWh of renewable energy procurement, including direct green electricity purchases and green certificate transactions,

alongside approximately 9,457 MWh of onsite photovoltaic generation, which the company associates with an estimated emissions reduction of approximately 231,000 tCO_2e.

At the same time, in Table 2, separately reported green electricity volumes declined year-on-year from 203,322 MWh in 2024 to 135,767 MWh in 2025, while total electricity consumption increased by approximately 47% in 2025. Public disclosures do not provide sufficient detail to reconcile the relationship between physical renewable electricity procurement, certificate-based purchases, and energy usage within the SLB KPI perimeter.

Table 2. Group level ESG data. Source: Sunny Optical.

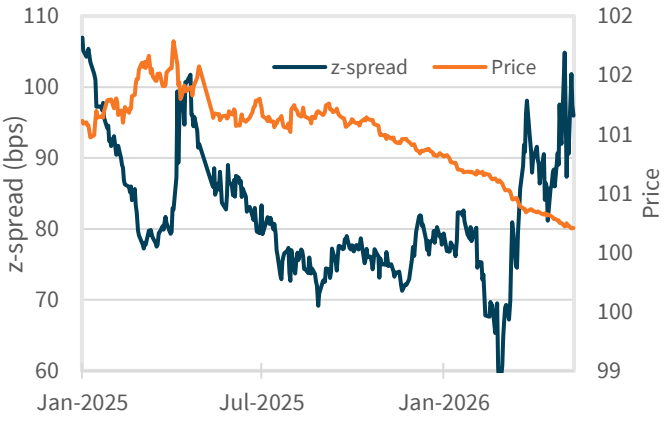
Year	2021	2022	2023	2024	2025
Scope 1 (tCO_2e)	2,594	4,879	5,122	8,740	13,122
Scope 2 (tCO_2e)	380,184	362,502	378,427	340,919	384,050
Total Scope 1 +2	382,778	367,380	383,549	349,659	397,172
Emissions yearly change (%)	16%	-4%	4%	-9%	14%
Revenue (RMB bn)	37,497	33,197	31,681	38,295	43,229
Revenue yearly change (%)	-1%	-11%	-5%	21%	13%
Group Level Emissions Intensity (Scope 1+2)/Revenue	10.2	11.1	12.1	9.1	9.2
SLB scope Emissions Intensity	10.3	12.0	14.0	12.0	7.0
Total electricity (MWh)	n.a	515,283	537,921	582,171	854,907
Green electricity (MWh)	n.a	90,202	101,537	203,322	135,767

This makes it less straightforward to assess the relative contribution of operational decarbonisation measures versus market-based procurement to the reported KPI improvement.

Bond trading levels and SLB option value

Under the bond terms, the instrument redeems at 100.00 if the SPT is met and 100.50 if it is not met. With the issuer reporting that the target has been achieved, no premium payment will be payable. In Figure 3, current pricing of 100.25 appears consistent with limited residual value associated with the SLB payoff.

Figure 3. Sunny Optical SLB historical spread and price. Source: Bloomberg Finance L.P., accessed 13 May 2026.



Conclusions

Sunny Optical delivered a significant improvement in emissions intensity for entities in-scope for its SLB, achieving the target embedded in the bond. While the specific influence of the SLB's financial incentive cannot be determined, the case illustrates how time-bound structures with defined financial consequences may support emissions intensity reduction efforts.

Broader consolidated disclosures show a less pronounced improvement than the SLB KPI outcome alone would suggest. This highlights the importance of KPI design, scope definition, and calculation methodology when interpreting SLB outcomes.

Updated disclosure on how the SLB KPI scope has evolved, together with greater transparency on methodology and renewable energy accounting, would help investors better contextualise the KPI outcome against broader group emissions trends.

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