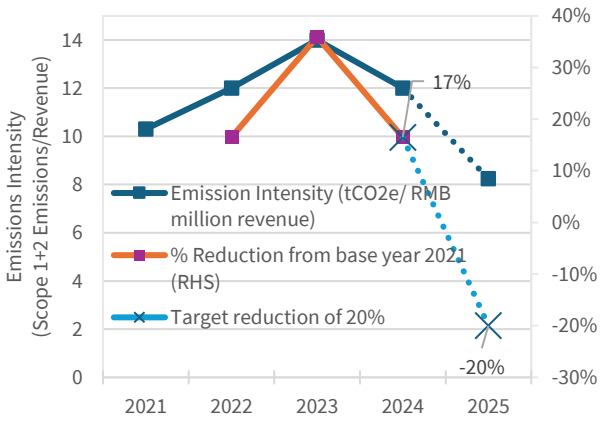
Sunny Optical SLB: chance of receiving 0.50% redemption premium

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Sunny Optical (ticker: SUNOTG) is a China-based optical technology manufacturer serving end markets including mobile devices, automotive, industrial inspection, and AR/VR. The company, issued a USD-denominated Sustainability-Linked Bond (SLB) (ISIN XS2555677215) in January 2023. The bond has reached its Sustainability Performance Target (SPT) observation date of 31 December 2025, with external verification due by 30 April 2026 and maturity on 17 July 2026.[1]

The bond's sole SPT requires a 20% reduction in Scope 1 and Scope 2 greenhouse gas (GHG) emissions intensity relative to a FY2021 baseline of 10.3. Emissions intensity is defined as Scope 1 + Scope 2 GHG emissions (tCO_2e) divided by revenue (RMB million), calculated over four principal subsidiaries in China.

Figure 1. Sunny Optical SLB Scope Emissions Intensity). Source: Sunny Optical.



A review of historical emissions intensity, shown in Figure 1, provides context for the pathway required to achieve the SPT. Based on the latest SLB-consistent disclosures, emissions intensity in FY2024 was approximately 17% above the FY2021 baseline. **This implies that the trajectory would need to shift from +17% in 2024 to –20% by the end of 2025, requiring a sharp reversal within a single year.**

Progress in reducing emissions intensity has been driven mainly by renewable electricity procurement, green certificates, and photovoltaic deployment, although historical trends indicate that a materially faster pace of change would be required to meet the SPT. Based on available disclosures, the outcome remains uncertain, and so we rank the SPT 50:50.

Under the bond terms, the bond redeems at **100.00% of principal if the SPT is met**, and at **100.50% if the SPT is not met**. The bond is currently trading around 100.70%/Z+80bps, broadly in line with conventional Greater China technology peers of similar credit quality and remaining tenor. **At this level, it seems the market is pricing a low chance of the 0.50% redemption premium being received.** Company announcements and verification-related disclosures up to 30 April 2026 will determine the final redemption outcome.

[1] "Offering Circular: Sunny Optical 5.95% Sustainability-Linked Bonds due 2026", accessed 22 Jan 2026.

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Introduction

Sunny Optical Technology (Group) is a Chinese technology manufacturing group whose products are used across end markets including mobile devices, automotive, microscopy, VR/AR, industrial inspection, robotics, and security systems. It frames its climate approach around embedding low-carbon considerations across the product life cycle from design and materials through manufacturing and logistics. As a manufacturing company, its carbon emissions profile is largely electricity-driven with the primary source of GHG emissions stemming from electricity consumption. Its Scope 1 covers direct emissions from operations, including diesel oil, gasoline, and air-conditioning coolant, while Scope 2 covers indirect emissions from the generation of purchased or acquired electricity.

Sustainability-Linked Bond Terms

Sunny Optical issued an SLB in 2023, which the company positions as a tool to reinforce progress toward its decarbonisation targets and overall sustainability commitments.[2] Table 1 sets out the key terms.

The SPT requires a 20% reduction in Scope 1 and Scope 2 GHG emissions intensity (tCO_2e per RMB million of revenue) relative to the FY2021 baseline. The baseline intensity was approximately 10.30, implying a target of 8.24 by the observation date.

The KPI is calculated for four principal subsidiaries in China: Zhejiang Sunny Optics Co., Ltd.; Ningbo Sunny Automotive Optech Co., Ltd.; Ningbo Sunny Opotech Co., Ltd.; and Yuyao Sunny Optical Intelligence Technology Co., Ltd.

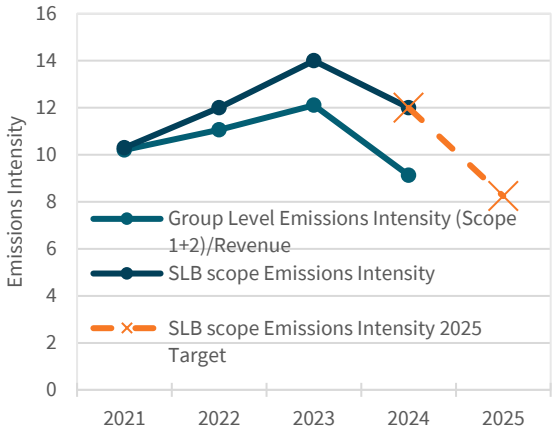
Table 1. Sunny Optical SLB key terms. Source: Sunny Optical.

Item	Definition
Issue Date	17 Jan 2023
Issue Amount	USD 400 million
Issuer	Sunny Optical
Coupon	5.95%
Maturity	17 Jul 2026
SPT observation Date	31 Dec 2025
Verification Report Date	30 Apr 2026
KPI	Scope 1 + 2 emissions intensity of 4 key subsidiaries
Unit	tCO_2e / RMB mn revenue
Baseline intensity (FY2021)	10.3
SPT	20% decline from FY2021
Target intensity	8.24
Penalty if missed	Redemption at 100.5

Historical Emissions Intensity Profile

Subsidiary-level emissions and energy data are not disclosed, although the SLB framework states that the four KPI-scope entities historically account for more than 90% of group revenue and Scope 1 and 2 emissions.[3]

Figure 2. Sunny Optical Group and SLB scope emissions intensity. Source: Sunny Optical.



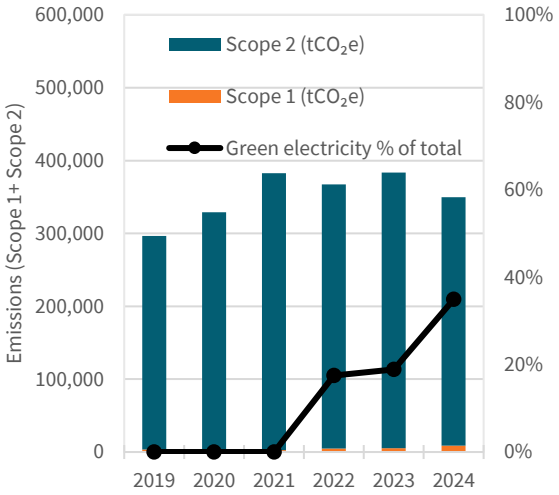
[2] "Sunny Optical Sustainability-Linked Financing Framework", accessed 22 Jan 2026.
[3] "Sunny Optical Sustainability-Linked Financing Framework", accessed 22 Jan 2026.

In the absence of a breakdown of the SLB KPI for analysis, group-level disclosures give some insights into the drivers of recent emissions trends and, as shown in Figure 2, serve as a practical proxy for assessing progress toward the 2025 target. Emissions remain dominated by Scope 2 from purchased electricity, with Scope 1 having a limited impact on KPI outcomes.

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

Year	2021	2022	2023	2024
Scope 1 (tCO_2e)	2,594	4,879	5,122	8,740
Scope 2 (tCO_2e)	380,184	362,502	378,427	340,919
Total Scope 1 +2	382,778	367,380	383,549	349,659
Emissions yearly change (%)	16%	-4%	4%	-9%
Revenue (RMB bn)	37,497	33,197	31,681	38,295
Revenue yearly change (%)	-1%	-11%	-5%	21%
Group Level Emissions Intensity (Scope 1+2)/Revenue	10.2	11.1	12.1	9.1
SLB scope Emissions Intensity	10.3	12.0	14.0	12.0
Total electricity (MWh)	N.A	515,283	537,921	582,171
Green electricity (MWh)	N.A	90,202	101,537	203,322
Green electricity % of total	N.A	18%	19%	35%

Figure 3. Sunny Optical Group level Scope 1+2 emissions and % of green electricity. Source: Sunny Optical.



Group ESG disclosures indicate that the decline in reported emissions in FY2024 was driven primarily by increased renewable electricity sourcing. As shown in Table 2, market-based Scope 2 emissions declined year-on-year despite a 22.8% increase in electricity consumption, reflecting the electricity-intensive nature of operations. Renewable electricity procurement increased materially through green power purchases, green certificates, and onsite photovoltaic deployment, lifting the renewable share to over 35% in FY2024 from around 19% in FY2023.

Figure 3 illustrates this shift in electricity sourcing underpins the reduction in Scope 2 emissions and remains the primary decarbonisation lever shaping the company's emissions trajectory toward the 2025 SPT.

SPT Assessment and Methodology Sensitivities

The SLB documentation permits the use of evolving emissions factors. In FY2024, the company disclosed emissions using both the historical East China regional grid factor and a newer national average electricity emission factor published by China's Ministry of Ecology and Environment, applying the latter consistently to both the FY2021 baseline and FY2024 figures.[4]

Because this recalculation is applied symmetrically, it does not change the requirement to achieve a 20% reduction relative to the FY2021 baseline. While methodological updates affect absolute reported values, they do not reduce the scale of improvement required under the SPT.

Paths to Reach SPT

Achieving the SPT would require a shift from +17% above the FY2021 baseline in FY2024 to –20% by end-2025, implying a sharp acceleration in decarbonisation within a single year. On a simplified

[4] "Sunny Optical 2024 ESG Report", accessed 22 Jan 2026.

basis, this would likely imply renewable electricity penetration rising to above 50–55%, compared with ~35% disclosed in FY2024, even after allowing for moderate revenue growth. Revenue growth alone provides limited relief. If emissions were flat, revenue at the KPI boundary would need to increase by approximately 46% to close the gap, well above disclosed trends, while reported 1H2025 revenue growth of 4.2% year-on-year suggests limited support from this channel.

Consistent with its Scope 2-dominated emissions profile, the company continues to report decarbonisation measures focused on electricity sourcing and management, including expanded green electricity procurement, the use of green electricity certificates under market-based Scope 2 accounting, photovoltaic deployment, and broader energy efficiency initiatives. Onsite PV capacity additions are disclosed, comprising 2.5 MWp installed and a further 5.5 MWp targeted for completion by June 2025, with expected combined annual generation of over 7.4 GWh, equivalent to just over 1% of FY2024 group electricity consumption, indicating that PV alone is unlikely to materially alter the emissions trajectory. [5]

By contrast, green electricity procurement and green certificate purchases under market-based Scope 2 accounting offer greater flexibility to improve the reported KPI outcome, even if underlying physical electricity consumption or emissions reductions are more limited. However, available disclosures do not provide sufficient quantitative detail on the scale or timing of these measures to assess whether they are sufficient to deliver the required shift from +17% to –20% within the observation period.

On this basis, we rank the bond as 50:50, reflecting insufficient evidence to be confident that the SPT is likely to be met or missed.[6]

Bond Trading Levels and SLB Option Value

Sunny Optical has only the SLB outstanding, limiting direct issuer-level relative value comparisons. To contextualise its trading level, the bond is compared against a peer universe of Greater China technology issuers with broadly comparable credit quality and remaining tenor.

Table 3. Greater China technology bond comparables. Source: Bloomberg Finance L.P., accessed 22 Jan 2026.

Company	Bond	Moody's/ S&P rating	Z-Spread (bps)	Price	Years to maturity	Bond Type
Huawei	HUAWEI 4 ⅛ 05/06/26	NR/NR	103	99.85	0.29	Conventional
AAC Techonologies	AACTEC 2 ⅝ 06/02/26	Baa3/NR	91	99.30	0.36	Conventional
Sunny Optical Technology Group	SUNOTG 5.95 07/17/26	Baa1/NR	80	100.70	0.48	SLB
Hon Hai Precision Industry	HONHAI 3 09/23/26	NR/A-	72	99.16	0.67	Conventional
Taiwan Semiconductor Manufacturing Company	TAISEM 1 ¾ 10/25/26	Aa3/AA	50	98.30	0.76	Conventional

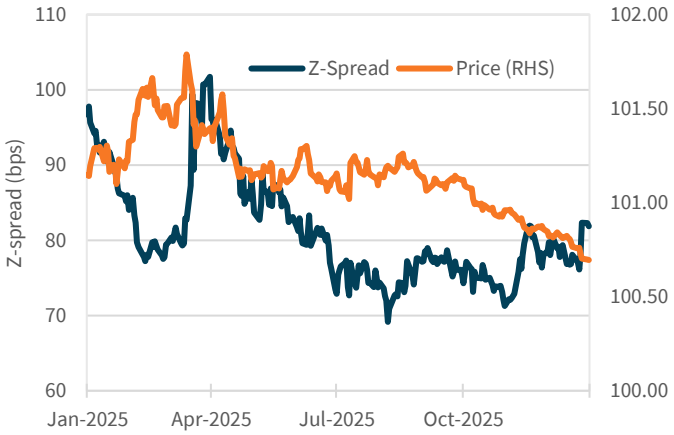
As shown in Table 3, Sunny Optical's SLB is trading at approximately Z+80bps, with 0.48 years to maturity and a clean price of around 100.70%. Within the peer set, this spread appears broadly in line with the Greater China technology universe once differences in rating profile and tenor are taken into account. Higher-rated issuers such as TSMC trade at tighter spreads, while lower-rated or unrated peers trade wider, consistent with underlying credit fundamentals.

[5] "Sunny Optical 2024 ESG Report", accessed 22 Jan 2026.
[6] Ranking Methodology,"A watershed year for the SLB market", AFII, 15 Jul 2025.

Historical trading levels and spread movements in Figure 4 similarly indicate that the bond has traded largely in line with peers on conventional credit metrics. On this basis, Sunny Optical's trading level does not appear anomalous from a pure credit perspective.

As discussed earlier in the assessment of the pathway to the SPT, available disclosures indicate that the outcome of SPT achievement remains uncertain, supporting a 50:50 ranking of the SPT.

Figure 4. Sunny Optical SLB historical spread and price. Source: Bloomberg Finance L. P., accessed 22 Jan 2026.



Under the bond terms, the bond redeems at 100.00% of principal if the SPT is met, and at 100.50% if the SPT is not met. With less than six months remaining to maturity, the impact of discounting is limited. Using an illustrative 50% probability of the target being missed indicates an expected value of the option worth 0.25% of principal. Given the short time to maturity, this would be worth approximately 50bps in running spread terms.

At current trading levels, given the bond is trading in line with peers, the market is implying there is a low expectation of receiving the additional premium payment. The final redemption outcome will be determined by the external verification due by 30 April 2026

Conclusions

Sunny Optical's SLB has entered its final verification phase with emissions intensity remaining materially above the FY2021 baseline under the SLB-defined methodology. While the company has demonstrated progress through renewable electricity procurement, green certificates, and photovoltaic deployment, achieving the required shift from +17% above baseline to –20% within a single year would imply a materially faster pace of improvement than observed historically.

Based on available disclosures, the outcome of SPT achievement is uncertain, supporting a 50:50 ranking of the SPT. The payoff profile is binary, with redemption at 100.00% of principal if the SPT is met and at 100.50% if the SPT is not met.

At the current trading level of approximately 100.70%, the bond continues to trade broadly in line with conventional peers on standard credit metrics, implying a low market-implied expectation of receiving the additional premium payment. External verification due by 30 April 2026 will determine the final redemption outcome.

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