

SUNAC 融創中國

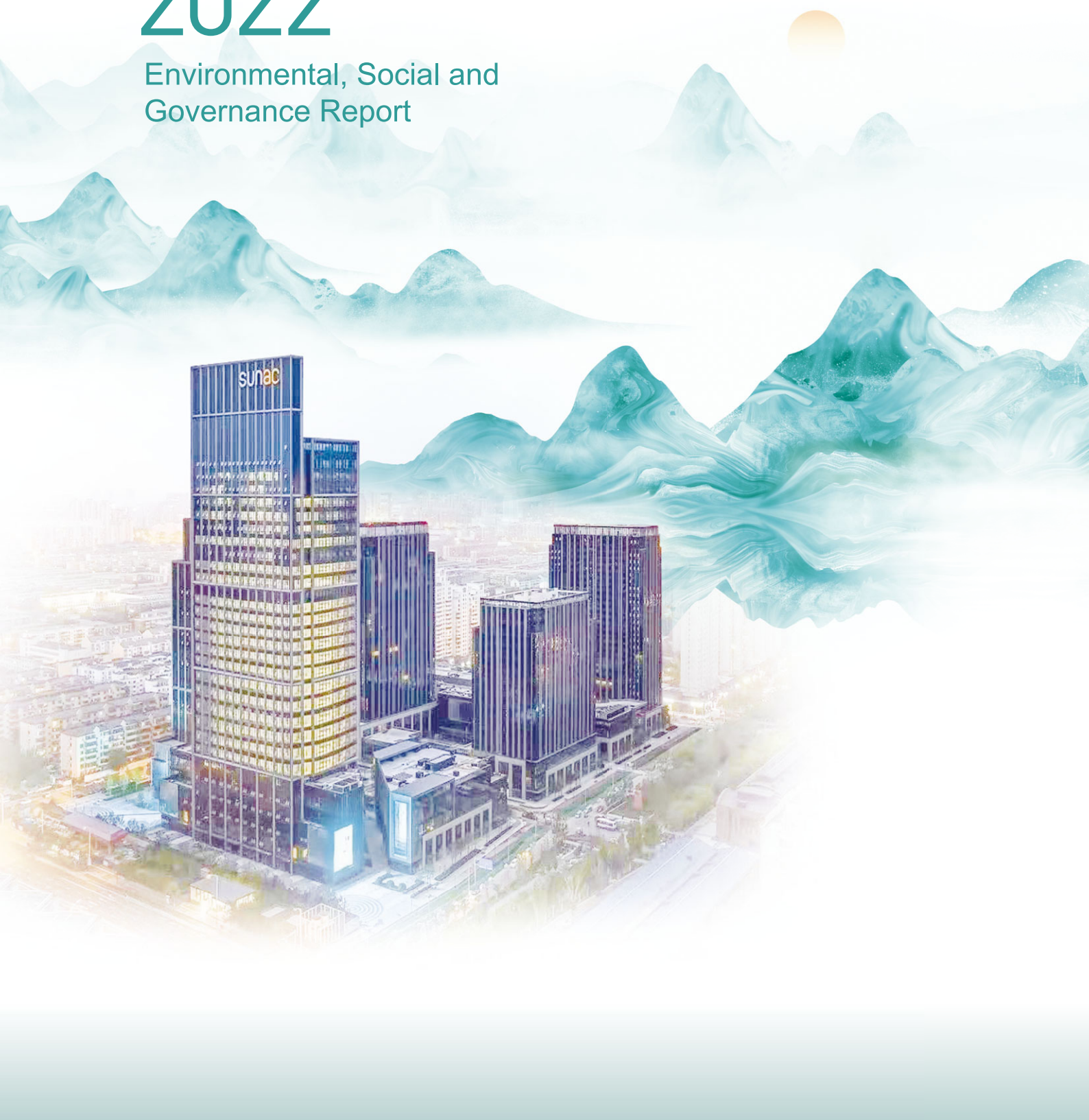
融創中國控股有限公司

SUNAC CHINA HOLDINGS LIMITED

STOCK CODE: 01918.HK

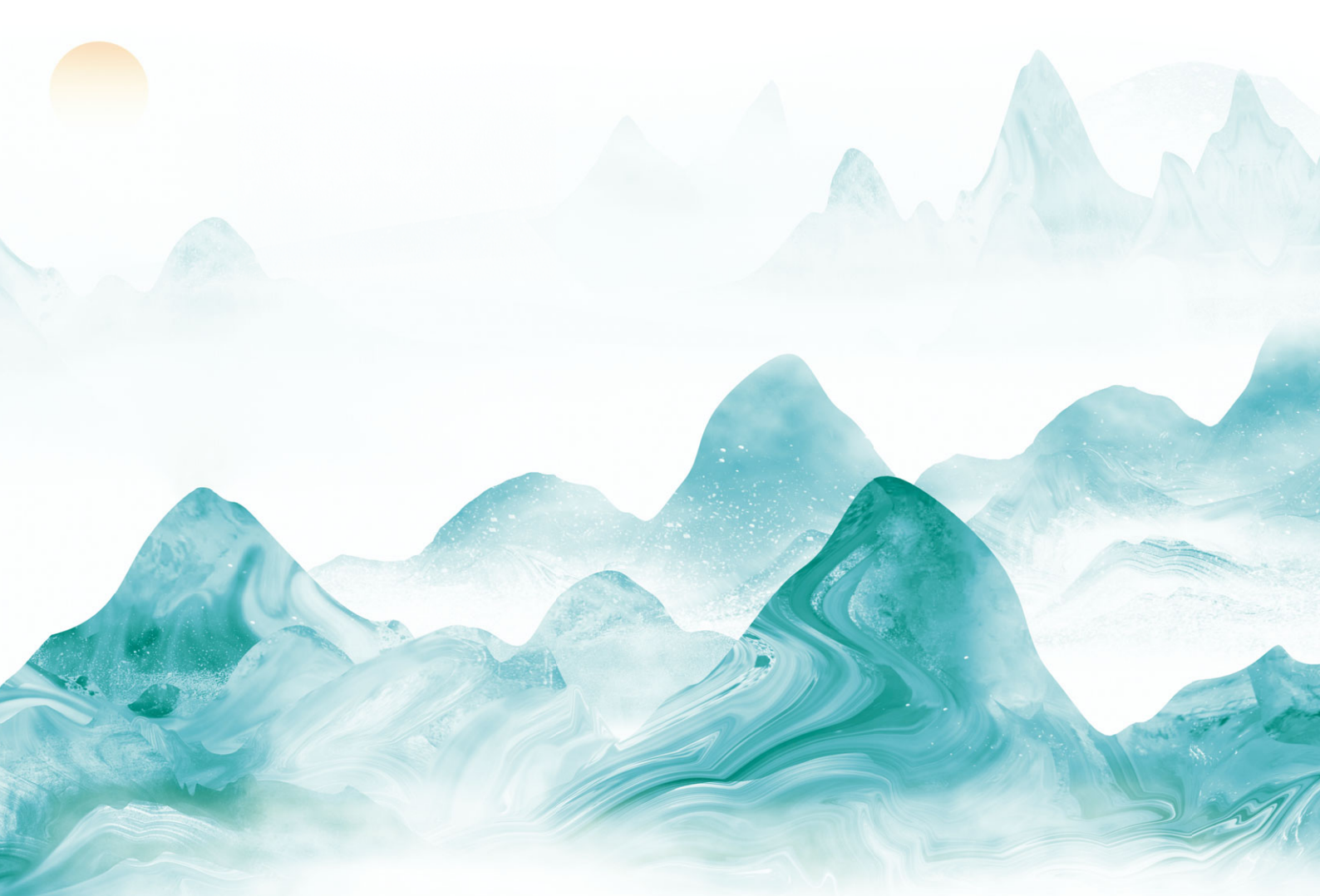
2022

Environmental, Social and
Governance Report



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About This Report

As a leading property developer, the Group (as defined below) actively fulfills social responsibilities to promote the harmony and progress of society while focusing on its own development. Based on the identification of key stakeholders and their attention to environmental, social and governance (“ESG”) issues, the Group has collected and summarized the relevant information and data, and prepared and published the ESG Report for 2022, for the purpose of disclosing the management and the performance of the Group in the environmental, social and governance aspects during 2022.

(1) Basis of Preparation

This report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “ESG Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), following the principles of materiality, quantification, balance and consistency as required by the Stock Exchange, and relevant information in this report is disclosed in accordance with mandatory disclosure requirements and “comply or explain” provisions under the ESG Guide, as well as with reference to the “Sustainability Reporting Standards of Global Reporting Initiative” (“GRI Standards”), and the “United Nations Sustainable Development Goals” (“UNSDGs”).

(2) Scope of the Report

The scope of this report covers the year of 2022 (from 1 January 2022 to 31 December 2022), with certain events tracing back to the previous year. The disclosure scope of this report covers the headquarters of the Group, all property regions, all business groups (the Service Group, the Culture & Tourism Group and the Culture Group) and their subsidiaries, whose principal activities include property development and investment, culture & tourism city construction and operation, property management service and others. For further details of the ESG disclosures of the Service Group, please refer to the “2022 Environmental, Social and Governance Report of Sunac Services Holdings Limited”.

(3) Definitions

In this report, the “Group” refers to “Sunac China Holdings Limited and its subsidiaries”, the “Company” or “Sunac China” refers to “Sunac China Holdings Limited”, and “RMB” refers to “renminbi”.

(4) How to Obtain This Report

The electronic version of this report can be browsed and downloaded from the Company’s website (<https://www.sunac.com.cn/>) and the website of the Stock Exchange (www.hkexnews.hk).

(5) Feedback

The ESG Report is committed to responding to issues which key stakeholders consider important. For any doubt or advice on the ESG Report, you are welcome to contact the Group anytime through the following means:

Address: Building 4, One Central, No.8, Dongzhimen North Street, Dongcheng District, Beijing, the PRC

Email: esg@sunac.com.cn

About the Group

The Company is a company incorporated in the Cayman Islands with limited liability, whose shares have been listed on the main board of the Stock Exchange since 2010. With the brand philosophy of "passion for perfection", the Group is committed to providing wonderful living environment and services for Chinese families through high-quality products and services and the integration of high-quality resources. With a focus on its core business of real estate, the Group implements its strategic layout in real estate development, property management, ice & snow operation management, cultural tourism, culture and other business segments. After 20 years of development, the Group has become a leading enterprise in China's real estate industry, a leading ice & snow industry operator and a leading cultural tourism industry operator and property owner in China, with nationwide leading capabilities in comprehensive urban development and integrated industrial operation.

Relying on its high-quality land bank with an advantageous layout and leading product development capabilities, the Group's real estate development business is mainly located in the Yangtze River Delta, Bohai Rim, South China, and core cities in Central regions and Western regions, and is divided into 10 major regions for management, namely the Beijing region (including Beijing, Ji'nan and Qingdao, etc.), North China region (including Tianjin and Zhengzhou, etc.), Shanghai region (including Shanghai, Nanjing and Suzhou, etc.), Southeastern China region (including Hangzhou, Fuzhou and Hefei, etc.), Central China region (including Wuhan, Changsha and Nanchang, etc.), South China region (including Guangzhou, Shenzhen and Sanya, etc.), Northwestern China region (including Xi'an and Taiyuan, etc.), Cheng Yu region (including Chongqing and Chengdu, etc.), Yun Gui region (including Kunming and Guiyang, etc.) and Global Sunac (including the Global Sunac projects in Sichuan, Yunnan and Hunan Province).

Development History

- ◀ Founded in Tianjin in July, and began to operate high-end property projects

2003

2007

- ▶ Obtained the first project in Beijing, "Chinese Beauty" – Xifuhui (中國式美好—禧福匯)"

2008

- ▶ Acquired and started to operate the first "One Central Series" product of Sunac – Beijing Xishan One Central (北京西山壹號院)

2010

- ▶ Successfully listed on the Stock Exchange on 7 October, stock code: 01918

- ▶ Completed strategic layout with five core cities, i.e. Beijing, Tianjin, Shanghai, Chongqing and Hangzhou

2012

- ▶ Proposed "quality underscores high value (質量點亮價值)" with adherence to our high-end and elegant strategy

2013

About the Group

2014

- ◀ Annual contract sales amounted to RMB65.85 billion, ranking Top 10 China's Real Estate Developers in terms of sales for the first time

2015

- ▶ Released the high-end lifestyle value system "Living a Perfect Lifestyle" (臻生活)
- ▶ Annual contract sales amounted to RMB68.21 billion, ranking Top 9 China's Real Estate Developers in terms of sales

2016

- ◀ Real estate development business was mainly located in the Yangtze River Delta, Bohai Rim, South China, and core cities in Central regions and Western regions
- ◀ Annual contract sales amounted to RMB150.63 billion, ranking Top 7 China's Real Estate Developers in terms of sales
- ◀ Won the honors of "Best Employer in China's Real Estate Industry (中國房地產最佳僱主企業)" for two consecutive years

2017

- ◀ Annual contract sales amounted to RMB362.01 billion, ranking Top 4 China's Real Estate Developers in terms of sales

2018

- ◀ Established the Sunac Culture & Tourism Group and Sunac Culture Group
- ◀ Launched Sunac Chinese-style Products
- ◀ Established the Sunac Foundation
- ◀ Annual contract sales amounted to RMB460.83 billion, ranking Top 4 China's Real Estate Developers in terms of sales

2019

- ◀ Annual contract sales amounted to RMB556.21 billion, ranking Top 4 China's Real Estate Developers in terms of sales

2020

- ◀ Released "Sunac Chinese-style Product Strategic Value Blueprint (《融創中式產品戰略價值藍本》)"
- ◀ Annual contract sales amounted to RMB575.26 billion, ranking Top 4 China's Real Estate Developers in terms of sales

- ◀ Annual contract sales amounted to RMB169.33 billion and completed the delivery of 180,000 houses
- ◀ Selected as "Top 10 Chinese Real Estate Enterprises Product Power in 2022 (2022 年中國房地產企業產品力 TOP10)" for five consecutive years
- ◀ Sunac Foundation was listed in the "Advanced Social Organization in Tianjin (天津市先進社會組織)"

- ▶ Annual contract sales amounted to RMB597.36 billion
- ▶ Won the honors of the "TOP 1 Typical Real Estate Developer in terms of Service Capacity in 2021 (2021 年度典型房企服務力 TOP1)" and ranked first in "Top 100 China Real Estate Company Product Capability (中國房企產品力排行榜 Top100)"
- ▶ Won the "China Charity Award (中華慈善獎)"

2022

2021

ESG Performance Highlights for 2022



Green Building

- New buildings of the Group are **100%** compliant with the green building requirements
- The Culture & Tourism Group is the only enterprise with full coverage of green building certifications in the culture & tourism segment and one of the first batch of enterprises to obtain dual certifications of green buildings and LEED for culture & tourism projects in China
- The Group had in the past three years a total of **55** projects certified as two-star or three-star green buildings, with a total construction area of approximately **10.35 million sq.m.**

Customer Service



- The Real Estate Group completed the delivery of approximately **180,000** houses in **201** projects in **84** cities
- The Culture & Tourism Group reported a customer complaint closure rate of **100%**, and a customer satisfaction rate of **99.4%**



Supplier Management

- The Real Estate Group reported a **100%** safety training coverage of its contractors
- The Group promoted the adoption in each project of environmental protection materials or healthy materials by the suppliers engaged in the strategic centralized procurement, with the relevant ratio **exceeding 90%**, developed the third-party material testing program, and had the ability to realize **100%** of the categories undergoing environmental protection testing and sampling

Staff Training



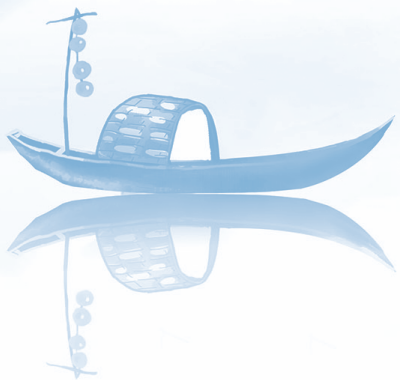
- The Group reported **100%** staff training coverage and a total of **over 2.68 million training hours**
- The Group organized online and offline integrity training sessions for all its staff and Directors, with a total of **about 28,000 training hours**



Social Development

- The Group actively participated in the construction of residential environment, social environment and ecological environment protection projects, and carried out business activities such as affordable housing construction, brownfield land development, integrated land utilization and urban renewal
- The Group launched **142** online and offline public welfare activities in **24** cities of 10 provinces (municipalities) with **more than 418,000 times of participation** by participants consisting of our employees, property owners and citizens

Compliant and Self-disciplined Operations

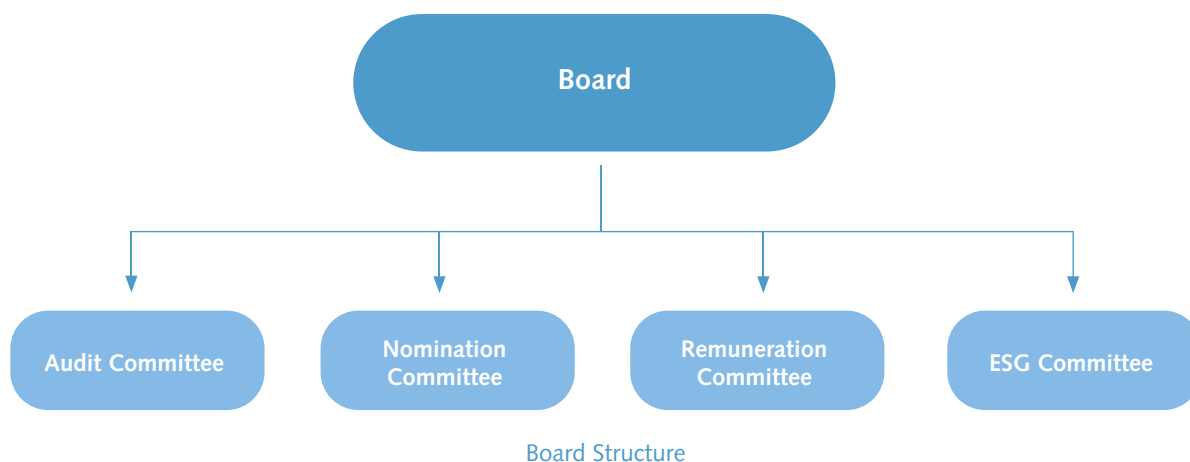


1 Compliant and Self-disciplined Operations

The Group has been constantly improving its corporate governance system on the basis of its existing governance architecture, while continuously optimizing its governance structure, enhancing communication with its stakeholders, and conducting strict internal audits and internal control, aiming to facilitate the construction of its ESG system and improve its sustainable competitiveness.

1.1 Corporate Governance

The board (“Board”) of directors (“Directors”) of the Company oversees and approves the Group’s strategic development objectives, significant operational decisions and financial performance with a number of Board committees established underneath to perform specific tasks, including the Audit Committee, the Nomination Committee, the Remuneration Committee and the Environmental, Social and Governance Committee (the “ESG Committee”). The terms of reference of the Board and various committees and information on Directors can be found on the Company’s website (<https://www.sunac.com.cn/>). Please refer to the “Corporate Governance Report” in the Company’s 2022 annual report for the meetings of the Board and various committees in 2022 and other details about corporate governance.



The Group’s insistence on increasing the diversity of the Board is a key element in achieving its strategic objectives, protecting the rights and interests of shareholders and maintaining the Company’s sustainable development. The Group has formulated the “Board Diversity Policy of Sunac China” in the hope of achieving an appropriate balance in terms of diversity of age, professional skills, industry experience and perspectives among the Directors, thereby enhancing the effective operation of the Board and maintaining a high standard of corporate governance. The Group has also set a goal in terms of board diversity, that is, appointing at least one female Director by the end of 2024. In addition, the Group has formulated the “Nomination Policy of Sunac China”, which clarified that the selection of Board candidates shall be based on a range of diverse criteria, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and tenure of service.

1.2 ESG Management

The Group has established an ESG management system, which clearly defined the responsibilities of the Board, the ESG Committee and the ESG Workgroup. At the same time, the Group strictly complied with the “Terms of Reference of the ESG Committee of Sunac China Holdings Limited (《融創中國控股有限公司環境、社會及管治委員會職權範圍》)” and the “ESG Management Regulations of Sunac China Holdings Limited (《融創中國控股有限公司環境、社會及管治管理規定》)”, which set out the ESG objectives and strategic planning, ESG policy formulation, stakeholder communication, ESG risk identification and management, ESG information disclosure, and special improvement, etc.. In addition, on the basis of the existing eight ESG policies (the “Sunac Environmental Policy”, the “Green Building Policy of Sunac”, the “Diversity and Inclusion Policy of Sunac”, the “Board Diversity Policy of Sunac China”, the “Integrity Code of Sunac”, the “Supplier Code of Conduct of Sunac”, the “Health and Safety Policy of Sunac” and the “Cybersecurity Policy of Sunac”), the Group has continuously improved the responsibility mechanism and ESG management measures, strengthened the sustainable management, and fulfilled responsibility commitments.



ESG Management System

| Hierarchy | Members | Responsibilities |
|---------------|--|--|
| Board | <p>Executive Directors:</p> <p>Sun Hongbin (Chairman), Wang Mengde (Chief Executive Officer), Jing Hong, Tian Qiang, Huang Shuping, Sun Kevin Zheyi, Chi Xun (resigned on 13 April 2023) and Shang Yu (resigned on 13 April 2023)</p> <p>Independent Non-Executive Directors:</p> <p>Poon Chiu Kwok, Zhu Jia, Ma Lishan and Yuan Zhigang</p> | <ul style="list-style-type: none"> ➤ To lead and be responsible for the overall ESG management of the Group, and supervise and review the Group's ESG performance ➤ To review and determine the Group's ESG strategies, ESG management structure and strategy ➤ To urge the Group to implement and enforce its ESG targets effectively, and regularly monitor and assess the implementation of such objectives ➤ To review and ensure that the Group has established appropriate and effective ESG risk management and internal control systems, and review, identify, evaluate and manage important ESG-related impacts, risks and opportunities ➤ To consider and approve the Group's ESG report |
| ESG Committee | <p>Chairman: Wang Mengde</p> <p>Members: Poon Chiu Kwok, Zhu Jia, Ma Lishan and Yuan Zhigang</p> | <ul style="list-style-type: none"> ➤ To formulate ESG management objectives, policies and ways of implementation, and provide advice to the Board ➤ To review the Group's ESG risk management and internal control systems, make recommendations to the Board and report to the Board on significant ESG risks ➤ To review the Group's ESG-related work programs, including but not limited to green buildings, health and safety, business ethics and anti-corruption and labor management, etc., and report to the Board on the planning and implementation of specific work ➤ To review the Group's ESG report, and report and make recommendations to the Board ➤ To consider and approve the Group's ESG-related regulations |

| Hierarchy | Members | Responsibilities |
|---------------|--|---|
| ESG Workgroup | Capital Management Department, Real Estate Operation Center, Legal Affairs Department, Branding Management Department, Internal Audit and Supervision Department, Administration Management Department and Organization Development Department of the headquarters of the Group; relevant departments of the Service Group; relevant departments of the Culture & Tourism Group; relevant departments of the Culture Group, etc. | <ul style="list-style-type: none"> ➤ To formulate ESG targets and work plans for each department according to ESG overall management objectives and policies ➤ To execute key tasks, and monitor the achievement of targets according to the ESG targets and work plans ➤ To report to the ESG Committee on the progress of ESG work ➤ To prepare the ESG report and related systems, and report to the ESG Committee |

In 2022, the Group held one ESG Committee meeting and one ESG training session, during which the ESG policies, the ESG improvement plans, the progress of the ESG objectives, compilation and publication of the ESG report and other special ESG work were considered and discussed.

1.3 The Board's Statement

The Group believes that sound ESG governance can bring long-term returns to stakeholders and the Group. In 2022, in order to promote the development of the Group's ESG work and improve ESG performance, the Group leveraged on the established ESG governance structure with the Board as the highest leader, forming a three-level management system consisting of the Board, the ESG Committee and the ESG Workgroup. The Board leads and is responsible for the overall ESG governance of the Group, the ESG Committee reviews ESG special plans, and the ESG Workgroup implements ESG specific issues.

In 2022, the Group organized and carried out the identification and judgment of material issues, and gave suggestions on the final judgment results of material issues. In 2022, regarding the core work of the Group in terms of safe operation, product and service quality, compliant operation and green building, etc., the Board has focused on reviewing and supervising its policies, objectives and measures to lead and facilitate relevant processes. In addition, the Board also shared the Group's ESG progress with different stakeholders.

This report provides a detailed disclosure of the management and progress of the Group's ESG work in 2022, which was approved by the Board in March 2023.

1.4 Communication with Stakeholders

The Group attaches great importance to communication with stakeholders, continues to improve the normalized and multi-channel communication mechanism, responds to the expectations of stakeholders in a timely and efficient manner, and accepts their supervision. The Group regularly discusses ESG issues with stakeholders, attentively listens to their opinions and suggestions, identifies the ESG issues they are concerned about, and facilitates the continuous improvement of the Group's ESG management efforts.

| Stakeholders | Issues of concern | Communication form |
|-------------------------------|--|--|
| Government and regulators | Compliance with laws Compliant operations Paying taxes by law Climate change Green building | Policy and guidance Information disclosure Work reports Daily communication Supervision and inspection Visiting reception |
| Shareholders and investors | Comprehensive information disclosure Sustained and stable business development Investor relations management | Shareholder meetings Information disclosure Investor meetings Project visits |
| Property owners and customers | Customer service and satisfaction Protecting legitimate rights and interests Providing high-quality products and services | Customer service center Customer service hotline Customer complaints and handling Forum and communication Customer satisfaction survey |
| Employees | Legal employment Basic interests Training and development Employee welfare guarantee Employee care Occupational health and safety | Regular research and feedback Employee care activities Employee training Employee meeting Employee benefits distribution Employee satisfaction survey |
| Suppliers and partners | Honest management Mutual benefit Supply chain management Exchange and cooperation | Daily communication Company visits Supplier contracts and agreements Supplier audit and assessment Supplier support and cooperation Supplier meetings |
| The public | Carrying out public welfare projects Promoting local employment Driving community economy Community investment Volunteer activities | Community activities Social communication and survey Volunteer services Forum and communication Company website & official accounts |

1.5 Identification of Material Issues

The Group attaches great importance to the feedback and suggestions of stakeholders on sustainable development issues. In 2022, we followed the three steps of “identification-research-assessment” to review and adjust the material issues, and further sorted out the matrix of material issues in 2022.

The specific steps for the Group to obtain the assessment results of material issues are as follows:

Identification and determination of ESG issues: According to the ESG Guide of the Stock Exchange, the GRI Standards and the UNSDGs, combined with the evaluation requirements of ESG ratings and/or indexes, comprehensively sort out the Company’s ESG important issues and the concerns of various stakeholders, and benchmark against domestic and foreign peers and monitor relevant media information to identify 20 key ESG issues;

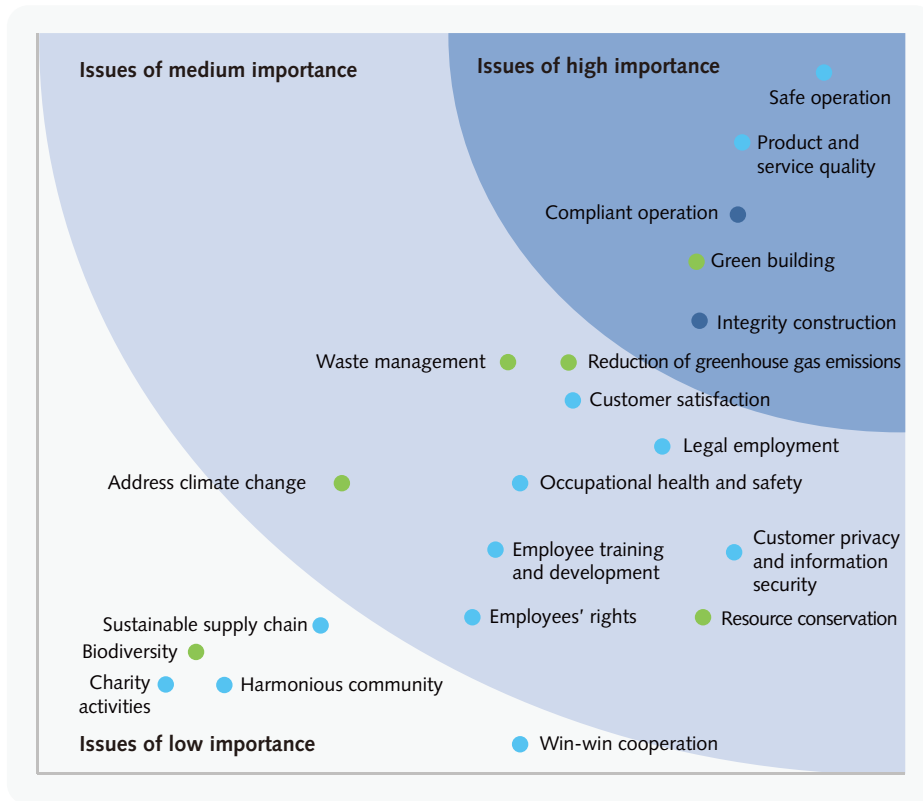
Stakeholder questionnaires: Collect replies from internal and external stakeholders through an online questionnaire survey;

Assessment of material issues: Based on the results of questionnaires as well as the development of the Company, assess the material issues by two dimensions, the materiality to the Group and the materiality to stakeholders, and rank the ESG issues by materiality.

| Materiality | Order | Issue |
|-----------------------------|-------|---|
| Issues of high importance | 1 | Safe operation |
| | 2 | Product and service quality |
| | 3 | Compliant operation |
| | 4 | Green building |
| | 5 | Integrity construction |
| Issues of medium importance | 6 | Reduction of greenhouse gas emissions |
| | 7 | Customer satisfaction |
| | 8 | Legal employment |
| | 9 | Waste management |
| | 10 | Customer privacy and information security |
| | 11 | Occupational health and safety |
| | 12 | Resource conservation |

| Materiality | Order | Issue |
|--------------------------|-------|-----------------------------------|
| | 13 | Employee training and development |
| | 14 | Employees' rights |
| | 15 | Address climate change |
| Issues of low importance | 16 | Win-win cooperation |
| | 17 | Sustainable supply chain |
| | 18 | Harmonious community |
| | 19 | Biodiversity |
| | 20 | Charity activities |

The materiality to stakeholders





The materiality to the Group

2022 Matrix of material ESG issues

1.6 Commitment to Sustainability

The Group supports the 17 UNSDGs with a focus placed on 14 of those which are most relevant to the Group. The UNSDGs that are most relevant to the Group are set out below, with the achievement of the goals and initiatives taken in 2022 disclosed in the relevant sections of this report.

| UNSDGs | | Initiatives taken by the Group | Section of this report |
|---|--|--|---|
|  <p>SDG 1</p> | End poverty in all its forms everywhere | Committed to promoting green development and continuous income increase in rural areas, we have joined hands with the China Siyuan Foundation to launch the “3060 Environmental Protection Economic Forest Project” in Inner Mongolia to help rural areas be ecologically livable and continuously increase income | Rewarding the Society |
|  <p>SDG 4</p> | Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | Under the “Saplings Charity Program”, the Group leveraged its resources to support the primary and secondary schools in the underdeveloped education areas, aiming to achieve a balance between the education in urban and rural areas | |
|  <p>SDG 10</p> | Reduce inequality within and among countries | | |
|  <p>SDG 3</p> | Ensure healthy lives and promote well-being for all at all ages | <p>Organize employee care activities, diverse team building activities, and organize special nucleic acid testing and flexible work arrangements during the COVID-19 outbreak</p> <p>Organize health and safety education sessions, etc.</p> | <p>Employee Care</p> <p>Safety and Health</p> |

| UNSDGs | | Initiatives taken by the Group | Section of this report |
|---|--|--|---|
|  SDG 5 | Achieve gender equality and empower all women and girls | <p>Create an equal and diverse working environment and development environment</p> <p>Organize Women's Day events, equip baby-care rooms within our facilities, and reserve parking space at the Group's headquarter for female employees in pregnancy, childbirth and lactation periods</p> | <p>Talent Protection</p> <p>Employee Care</p> |
|  SDG 8 | Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all | <p>Protect the rights and interests of our employees, establish a comprehensive and systematic talent training system, and optimize the employee welfare system</p> | <p>Talent Protection</p> <p>Talent Cultivation</p> <p>Employee Care</p> |
|  SDG 9 | Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | <p>Increase investment in R&D of green buildings and strengthen the resilience of buildings and the communities to long-term climate change and disasters</p> | <p>Green Concept</p> <p>Green Design</p> <p>Green Construction</p> |
|  SDG 11 | Make cities and human settlements inclusive, safe, resilient and sustainable | <p>Stick to product quality through carrying out life-cycle control of project quality, and providing healthy, safe and high-quality products and services</p> | <p>Quality Management</p> |

| UNSDGs | | Initiatives taken by the Group | Section of this report |
|--|--|--|--|
|  7 AFFORDABLE AND CLEAN ENERGY SDG 7 | Ensure access to affordable, reliable, sustainable and modern energy for all | Promote the use of clean energy, carry out technological upgrading and transformation in multiple dimensions and establish an intelligent integrated management platform relying on IoT and AI technology, with headquarters data analysis functions, research and develop more energy-saving and eco-friendly products and technologies | Green Concept Green Design Green Construction Green Operation |
|  12 RESPONSIBLE CONSUMPTION AND PRODUCTION SDG 12 | Ensure sustainable consumption and production patterns | Incorporate climate change into corporate management and commit to taking measures to mitigate the impact of climate change on the Group's business and society | Climate Change |
|  13 CLIMATE ACTION SDG 13 | Take urgent action to combat climate change and its impacts | Investigate and explore the ecological environment of the project site, protect local native species, and carry out ecological protection and governance work | |
|  15 LIFE ON LAND SDG 15 | Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss | | |
|  16 PEACE, JUSTICE AND STRONG INSTITUTIONS SDG 16 | Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels | Strengthen risk management and control, integrity operation and intellectual property protection | Compliant Operation |
|  17 PARTNERSHIPS FOR THE GOALS SDG 17 | Strengthen the means of implementation and revitalize the global partnership for sustainable development | Strengthen supplier management and practice the concept of green procurement Practice social responsibility and create long-term value for the whole society | Responsible Supply Rewarding the Society |

1.7 Compliant Operation

The Group insists on compliant operations while continuously strengthening its risk control capability with the establishment of a sophisticated risk prevention and control mechanism, regularly promoting internal standardization & optimization and efficient internal control practices, aiming to effectively manage and control business operation risks and improve the safety of the Group's operations.

1.7.1 Risk Control

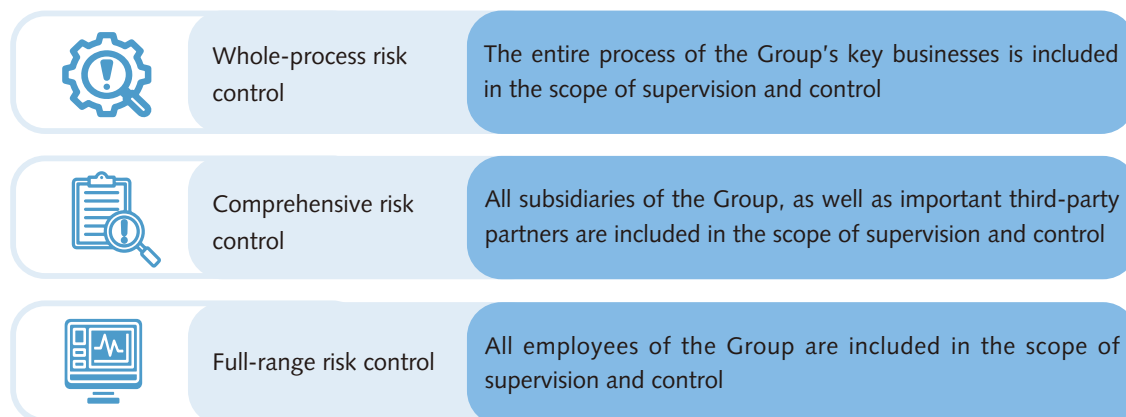
The Group has established an audit & internal control system with a clear definition of rights and responsibilities and complete functions. The Internal Audit and Supervision Department is authorized by the Board and the Audit Committee to perform all audit work throughout the year under the direct management of the Chief Executive Officer while putting forward suggestions on improving the effectiveness of the Group's risk management and internal control system, and regularly reporting to the Audit Committee and the Board.



Risk Management Structure

The Group continues to improve the audit and risk control management system and measures. In accordance with the "Provisions on Internal Audit of Sunac Group (《融創集團內部審計規定》)" and the "Regulations on Internal Control Management of Sunac Group (《融創集團內控管理規定》)", the Group clarified and standardized the division of rights and responsibilities, operation processes and authorization of its annual audit plan, audit project establishment and audit report, and established a risk database based on the business risks, management defects and irregularities spotted in internal control evaluation & inspection, special audit, regular audit and whistle-blowing investigation, to guide the audit team in performing its duty and push the business departments to improve their management. The Group also regularly conducts audit system performance assessment, quality evaluation and operational guidelines and business guidelines for various businesses, so as to promote the business standardization of audit and supervision work while ensuring the overall work quality of the audit and supervision system.

Relying on the results of information system construction, the Group makes full use of the operating data of the Company's information system and third-party industrial and commercial information data to implement audit sampling for the identified major risks and systemic risks on the basis of full-process and full-volume data analysis, so as to achieve comprehensive risk control.



The Group continued to improve its legal risk management and control system by formulating regulatory documents such as the “Provisions on Contract Management of Sunac Group (《融創集團合同管理規定》)”, the “Notice on Regulating the Statistics and Filing of Customer Complaints and Compensation (《關於規範客戶投訴及賠付情況統計及報備工作的通知》)” and the “Notice on Issuing and Using of Standard Contracts of Sunac Group (《關於下發使用融創集團標準合同文本的通知》)”. In 2022, the Group further strengthened the management of contract performance documents for projects during the construction period, and standardized the collection and storage of contract performance documents to prevent disputes and adverse risks that may be caused by missing documents. It also constantly regulated the post-investment management of projects to ensure the implementation of various post-investment matters, thereby safeguarding the Group's rights and interests in various asset-light outward expansion projects and invested companies and maintaining a good cooperative relationship with partners. The Group also actively carried out the promotion and implementation of legal culture and knowledge, with a focus placed on prevention and control of the real estate-related legal risks for the whole lifecycle, management and control of operational risks in the properties it held, and prevention of litigation risks.

1.7.2 Integrity Operation

The Group strictly complies with the “Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》)”, the “Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》)” and the “Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》)”, while formulating the “Regulations on Integrity Management of Sunac Group (《融創集團廉潔工作管理規定》)” and the “Integrity Code of Sunac (《融創廉潔守則》)” to prohibit any form of bribery, extortion, fraud and money laundering, demand all employees to obey disciplines and laws in their daily work and adhere to the requirements of integrity and morality. As of the end of 2022, the Service Group has obtained ISO 37001 International Anti-bribery Management System certification. The Group also continuously promoted the development of its supervisory functions and conducted regular audits on business ethics for all its business segments. In 2022, the Group conducted a total of 122 internal control inspections in the areas of business ethics and anticorruption, with zero corruption case filed and concluded during the year.

The Group took an active part in the anti-fraud construction and helped to create a clean business environment in the industry. As of now, it has joined the Enterprise Anti-Fraud Alliance and the Trust and Integrity Enterprise Alliance, and established a blacklist system for the anti-corruption alliance. The Group will resolutely reject those candidates with major violations and frauds, as well as those included in the blacklist of the Enterprise Anti-Fraud Alliance and the Trust and Integrity Enterprise Alliance. The Group continuously strengthened the management of business ethics of its employees by requiring them to sign an integrity agreement, and new recruits are required to complete an integrity test within two weeks after the end of the induction training, and those who fail the test will be put on extended probation.

The Group actively carried out integrity publicity and education activities by holding at important holidays promotional events within the Group for all its employees (including regular employees and non-regular employees) and suppliers on integrity, organizing special activities such as a visit to the integrity education bases, holding seminars, setting up walls of corporate culture, and inviting staff from the law enforcement authorities to give our employees a lecture, and regularly conducting internal integrity training, so as to enhance their awareness of integrity. In 2022, the Group organized online and offline integrity training sessions for all its staff and Directors, with a total of about 28,000 training hours.

By formulating the “Regulations on the Management of Complaints and Whistle-blowing of Sunac Group (《融創集團投訴舉報管理規定》)”, the Group clarified and standardized the division of rights and responsibilities, operation processes and approval authority for complaints and whistle-blowing, and improved the whistle-blowing handling process. The Group has set up multiple complaining and whistle-blowing channels, with public channels such as the official website, telephone, email, official accounts, etc. established to receive anti-corruption complaints and whistle-blowing, and a rewarding mechanism to encourage whistleblowers. The Group takes careful steps to protect the personal information, workplace information and reporting content of whistleblowers in accordance with the law, and clearly stipulates in the “Regulations on Management of Complaints and Whistle-blowing of Sunac Group (《融創集團投訴舉報管理規定》)” that, those who threaten and retaliate against the whistleblowers will in accordance with the “Audit Penalty Rules (《審計處罰細則》)” be demoted, given a salary reduction, dismissed, blacklisted by the Anti-fraud Alliance, or transferred to the judicial authorities according to the law.



The Group's whistleblowing and monitoring procedures

Acceptance of Whistle-blowing Reports

Whistle-blowing reports received via all channels should be input into the system

Auditing Project Approval

Approve cases that meet the conditions after preliminary review to enter the audit stage

Formal Investigation

Conduct investigations to obtain evidence according to institutional arrangements

Investigation Report

Issue the audit report and provide feedback internally

Audit Resolution

Issue the confirmation letter on audit treatment opinions according to the seriousness of the case






Rectification

Make rectifications according to the audit treatment opinions, hand over the case to judicial authorities if it breaches the law and follow up the case

Case closed

1.7.3 Intellectual Property Protection

The Group attaches great importance to the protection of its intellectual property rights as it continuously strengthens the management thereof by establishing a sound management system, and maintains its intellectual property rights (such as trademarks) regularly. In 2022, the Group was not involved in any punishment relating to intellectual property rights by the government.

| | | |
|---|--|--|
|  | <p>Applying for trademarks and other intellectual property rights</p> | <p>Apply for trademarks and other intellectual property rights according to the promotion names that project companies use, to ensure they obtain the effective legal protection</p> |
|  | <p>Monitoring similar trademarks and applying for trademark opposition/invalidation/revocation</p> | <p>Monitor trademarks similar to “融創” and “SUNAC” on regular basis, and apply for the opposition of those trademarks within the publication period and the invalidation or revocation of those already approved for registration</p> |
|  | <p>Responding actively to others' application for trademark opposition/revocation</p> | <p>In the event that others raise the application of trademark opposition or revocation against the Group, the Legal Affairs Department organizes business departments to collect evidence and defend actively to protect the Group's trademark right</p> |
|  | <p>Protecting the trademark right proactively</p> | <p>To protect the trademark right from being infringed, the Group conducts a special investigation into trademark rights infringement and unfair competition on regular basis. For the case of infringement, the Group protects its legitimate rights by negotiating with the infringing party, reporting to the industrial and commercial administrative departments for investigation and punishment, and filing a lawsuit, based on which we have established a normalized trademark protection mechanism</p> |
|  | <p>Establishing and improving the intellectual property rights management system</p> | <p>Formulate the trademark management system, the project-promotion naming specifications, the standard on the use of font copyright, and other rules and standards, and work out the project-promotion naming review guidelines and the guidelines on protecting the trademark right by considering the business requirements</p> |

The Group also pays attention to the application for and maintenance of patents, and applies for patents timely according to its actual needs. As of 31 December 2022, the Group has obtained a total of 36 patents.

Green Development to Achieve Harmonious Coexistence



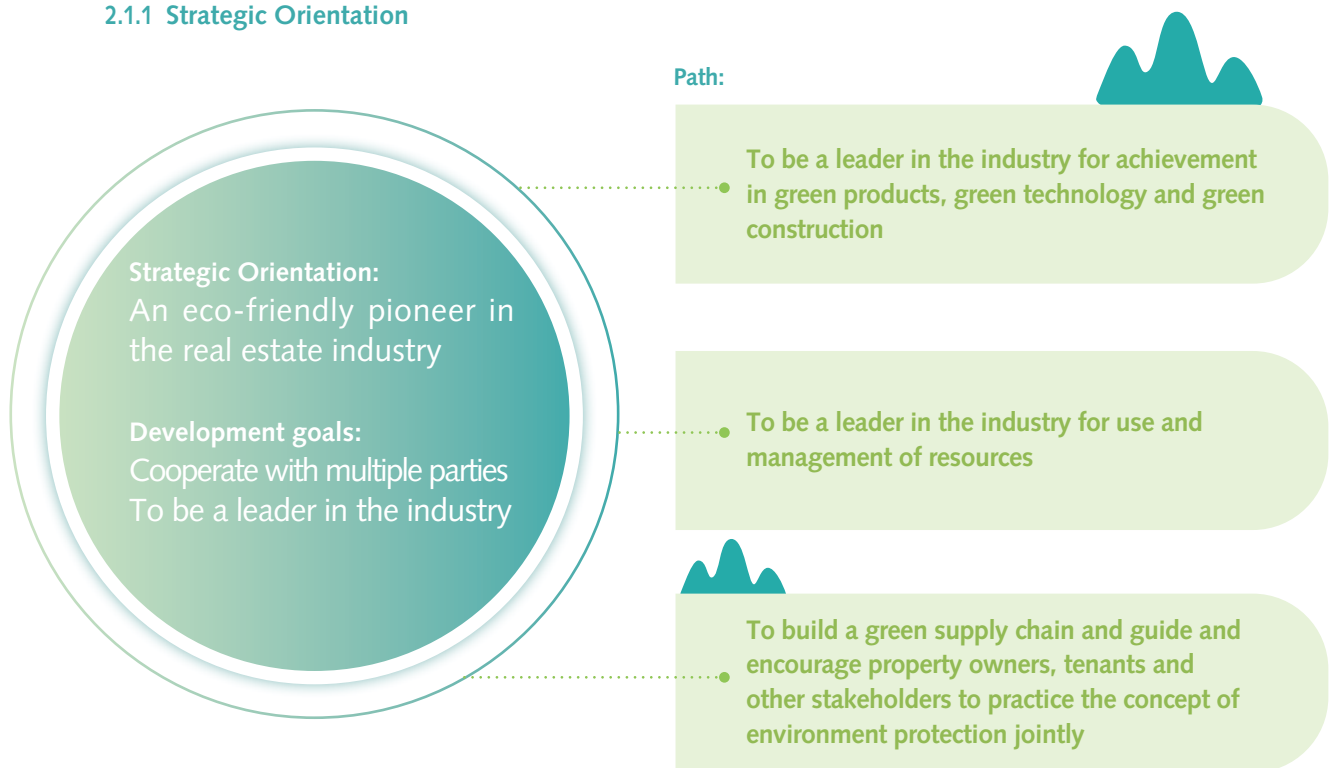
2 Green Development to Achieve Harmonious Coexistence

Through continuously implementing the philosophy of sustainable development, the Group comprehensively balanced the impact of green design, green construction, green operation, etc. on the environment while striving to construct high-quality communities in cities that are more livable, healthier and warmer, aiming to mitigate the impact of our business development on the environment with the greatest sincerity, contributing to the achievement of the carbon peaking and carbon neutrality goals.

2.1 Green Concept

With unwavering adherence to the guideline of “tailored measures to suit local conditions and comprehensive consideration”, the Group carefully implements the concepts of resource conservation and emission reduction throughout the life cycle of its buildings. The Group knows that green buildings use resources more efficiently than traditional buildings and are beneficial to property owners, tenants and society in general. The Group integrates the concept of eco-friendly development into all aspects of its business from project construction to project operation, i.e. setting environmental targets, participating in the compilation of industry standards, and building exemplary projects that address climate change properly, taking concrete actions to provide customers with healthy, applicable and resource-efficient properties.

2.1.1 Strategic Orientation



2.1.2 Green Path

The Group has formulated and implemented the “Environmental Policy of Sunac” and the “Green Building Policy of Sunac” which apply to all new projects and projects under construction. The Group advocates joint ventures and associates to follow the aforesaid policies and improve their management. In addition, the Group relies on the three core paths, i.e. green design, green construction and green operation, to ensure the implementation of its green development positioning.

| | | |
|--------------------|-------------------------------|---|
| Green design | Green building | The Group's new projects 100% comply with the green building requirements, aiming to promote the implementation of High-star, Ultra-low energy consumption products |
| | Digital design | Promote digital design to improve expertise in design, construction and management, reduce waste of resources, and promote energy conservation & emission reduction |
| | Green planning | Focus on green planning to facilitate green development, and maximize land resources and ecological value |
| | Green standard | Formulate green standards, promote green innovation, and promote the application of green technologies |
| Green construction | Green construction system | Promote the green construction system, with the proportion of prefabricated buildings steadily increasing |
| | Green construction | Strengthen green construction management and reduce resource consumption and environmental pollution |
| | Green procurement | Promote green procurement, urge suppliers to improve environmental management capability, and build a sustainable supply chain |
| | Green building materials | Increase the proportion of green building materials to promote eco-friendly development of the industry |
| Green operation | Energy consumption management | Strengthen the management of green operation, reduce resource consumption and environmental pollution |
| | Water resources management | Improve water utilization efficiency by effectively reducing water consumption and its intensity year by year |
| | Waste management | Strictly control waste discharge, improve the garbage classification rate and comprehensive utilization rate |
| | Green leasing | Fully implement green leasing with strengthened publicity efforts and thereby extending its influence in the industry |
| | Green office | Create a green environment in the workplace |

2.2 Green Design

In the design of projects, the Group strictly complies with the “Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》)”, the “Environmental Impact Assessment Law of the People’s Republic of China (《中華人民共和國環境影響評價法》)” and the “Regulations on the Administration of Environmental Protection in Construction Projects (《建設項目環境保護管理條例》)”, while actively practicing the concept of green design, with a focus on green habitat, green business and green landscape, and striving to achieve a multi-win outcome in terms of ecological value, economic benefits and habitat experience with a better design concept. The Group has formulated a series of management systems i.e. the “Design Application Guidelines for Prefabricated Building of Sunac Group (《融創集團裝配式建築設計應用指引》)”, the “Implementation Standards for Passive Low-energy Consuming Buildings of Sunac Group (《融創集團被動式低能耗建築實施標準》)”, the “Technical Standards for Exterior Wall Insulation Systems of Sunac Group (《融創集團外牆保溫系統技術標準》)” and the “Guiding Requirements on Design of Smart Communities of Sunac Group (《融創集團智慧社區設計要求導則》)”, aiming to continuously enhance project design capability.

The Group attaches great importance to green planning, with an active commitment to green development, aiming to maximize land resources and ecological value. We endeavored to fully understand the background of the land for our projects and fulfill our commitment to green land development to avoid developing green land and farmland as far as possible. We strictly followed the requirements of relevant authorities on the development of farmland and green land, while strictly keeping ourselves from touching the red line of natural reserves, farmland and arable land, cultural protection areas, etc., so as to reduce the impact on green land and surrounding ecosystem.

In the stage of project planning and survey, the Group inspected the ecological environment around the project site and assessed the environmental impact of the project, while carefully protecting the local native species, actively participating in ecological protection and governance work, so as to reduce the impact of our projects on the ecological environment.

2.2.1 Commitment to Green Building

Commitment to Green Building

Green Building: 100% of new buildings complied with the requirements for green building, promoting the implementation of High-star and Ultra-low energy consumption green buildings:

- The Real Estate Group: 100% of the new residential projects developed by the Real Estate Group met the standards for green building, promoting them to obtain various green building certifications;
- The Culture & Tourism Group: 100% of the newly-developed properties held and operated by the Culture & Tourism Group (including the indoor ski resorts, business projects, hotels, and office buildings, etc) met the two-star or above green building standards; promoting them to obtain various green building certifications, among which the indoor ski resorts, important hotels, and business projects will be promoted to receive dual certifications of “China Green Building + Bream”.



From 2020 to 2022, the Group had a total of 295 new projects¹, 100% of which met China's green building standards. The Group also strove to obtain the green building certification for its projects, including the "Assessment Standard for Green Building (《綠色建築評價標準》)" of China and the U.S. LEED Certification. As of the end of 2022, the Culture & Tourism Group's projects in operation have all received green building certification², with those under construction all receiving green building certification as well, making it the only enterprise in China with full coverage of green building certifications in the culture & tourism segment and one of the first batch of enterprises in China to obtain dual certifications of green buildings and LEED for culture & tourism projects.

From 2020 to 2022, the Group had a total of 55 projects¹ receiving two-star or three-star green building certifications, with a total gross floor area of 10.35 million square meters. 6 new projects received two-star green building certifications with a total gross floor area of approximately 1.55 million square meters in 2022.



Case: Green Building-Hefei Sunac IN.BINHU (合肥融創濱湖印)

In the project of Hefei Sunac IN.BINHU, following the principle of adaption to local conditions and taking into account the climate, resources, natural environment, economy, culture and other characteristics of the project site, the Group applied suitable and mature green building technologies. The Group strived to achieve the goal of "Four Conservations and One Environmental Protection (四節一環保)" (i.e. conservation of energy, land, water, material, and environmental protection) to the maximum extent in the whole process of planning, design, construction and operation management, so as to realize the green buildings concept of the coexistence between human and nature and between building and environment.

- **Site planning:** Rational site planning, adequate outdoor wind environment, noise and sunlight simulation analysis, reasonable per capita living index and green space ratio, perfect supporting services and facilities and surrounding sharing ancillary facilities to ensure the living convenience of residents;
- **Architectural design:** Rational building layout and orientation, combined with natural lighting and ventilation simulation analysis, and the use of technical means such as louvers in windows and doors, and self-contained lighting and ventilation wells, entrances and activity spaces to achieve 65% energy-saving design standards;

Notes:

- ¹ The statistical scope of new projects and projects which received green building certification covers the Group as well as its joint ventures and associates.
- ² The statistical scope does not cover the land park projects of the Group, which will generally have key parts of them singled out to apply for the relevant green building certification.

Case: Green Building-Hefei Sunac IN.BINHU (合肥融創濱湖印)

- **Renewable energy and intelligent design:** Highly energy-efficient household multi-connections + gas wall-mounted water heaters and air-energy water heating system design were applied, with energy-efficient air-conditioning systems and carbon monoxide monitoring systems equipped in the supporting public buildings. Such water conservation measures as rainwater recycling and high energy-efficient water economizers were adopted throughout the project to further achieve the goal of energy saving and emission reduction by virtue of the overall arrangement of intelligent system.



Hefei Sunac IN.BINHU

2.2.2 Green Technology Standards

The Group actively participates in the formulation and compilation of international, national, industrial and association standards for environment protection to promote green innovation in society and enterprises. As of December 2022, the Group has participated in the formulation of a number of association standards and developed approximately 26 corporate standards, covering building quality, quality improvement, energy saving, environmental protection, assembled structure, decoration materials and intelligence, etc. In addition, the Group worked with the British Building Research Establishment to customize the world's first green building evaluation standards for indoor ski resorts (Breeam for Bonski (《BREEAM—熱雪奇蹟》), covering a wide range of aspects from the energy management for the main building to the ecological value of the site, with joint efforts to set a global benchmark for eco-friendly ski resorts, which has been customized at the end of 2022. The Group is also participating in the preparation of national standards like the "Engineering Standards for Themed Parks (《主題公園工程技術標準》)", which are expected to be publicly released in 2023.

2.3 Green Construction

The Group attaches great importance to the impact of project construction on the surrounding environment and natural resources, and has been striving to integrate the concept of green construction throughout the production process chain. In 2022, on the basis of strict compliance with various national laws and regulations, the Group revised and completed its internal management system, including the “Environmental Working Standards for Construction Sites of Sunac Group (《融創集團施工現場環境工作標準》)” (2022 version), which refined and improved specific requirements of dust prevention and environmental protection, such as effective dust reduction facilities and waste recycling, for the purpose of strict implementation by each project and supplier. In 2022, the Group continued to promote its Glorious Construction (臻營造) construction system while vigorously promoting the development of industrial construction technologies, and conducted prefabricated and refined decoration in response to the national policy direction of industrialized construction, so as to reduce energy consumption in the construction process. In 2022, the Group’s prefabricated construction projects accounted for 43% of its total number of projects.

The Group leveraged Building Information Modelling (“BIM”) technology throughout the process to achieve refined and realistic management of the construction process, as well as the BIM green construction process covering the design of construction plan and construction drawing, deepening of construction, site implementation, and handover. It resorted to virtual construction simulation based on the digital information of previous projects to reduce demolition and modification, thus making the best of BIM technology in construction. In 2022, the Group continued to strengthen green construction management of its projects to achieve its goal of “Four Conservations and One Environmental Protection”, namely the conservation of energy, land, water, material as well as environmental protection. Meanwhile, it fully reused the waste generated during the construction of projects to decrease the consumption of resources during the construction process and reduce pollution to the local environment. Furthermore, the Group integrated environmental protection, resource conservation, safety and health elements into its procurement process, aiming to increase the proportion of green materials and promote the eco-friendly development of the industry.

Case: One Central in Laoshan, Qingdao

Since 2016, the state and relevant government authorities have been promoting prefabricated buildings. In particular, the Ministry of Housing and Urban-Rural Development of the PRC has put forward the key requirements of “improving the standard system of prefabricated buildings, and vigorously promoting the buildings with steel structures” in recent years. For the One Central in Laoshan, Qingdao, the Group actively responded to the policy requirements by meeting the prefabricated requirements and adopting various technical means such as BIM design, pipe separation and dry finishing, thus achieving a prefabricated rate of 76% and a pre-rating of AA prefabricated building and two-star green building certifications.



One Central in Laoshan, Qingdao

2.4 Green Operation

The Group strictly complies with national and local laws and regulations related to environmental protection, including the “Law of the People’s Republic of China on Conserving Energy (《中華人民共和國節約能源法》)”, to ensure that the operational requirements are no less stringent than those stipulated by laws and regulations.

The Service Group establishes the environmental management system based on the business operation model, and has obtained the ISO 14001:2015 Environmental Management System certification. It also has established the energy management system based on energy consumption in the business operation, and has obtained the ISO 50001:2018 Energy Management System certification.

The Culture & Tourism Group formulates a series of systems such as the “Measures of Sunac Culture & Tourism Group for the Green and Energy Management in the Operation Period (《融創文旅集團運營期綠色節能管理辦法》)”, the “Implementation Rules on Incentives for the Energy Conservation and Consumption Reduction Work in the Operation Period (《運營期節能降耗工作激勵實施細則》)”, the “Energy Conservation Guide Book (《節能工作指導手冊》)”, the “Energy Guidance Standards in the Operation Period (《運營期能源指導標準》)”, the “Management Measures of the Operation Cost Management Committee of Sunac Culture & Tourism Group (《融創文旅集團運營成本管理委員會管理辦法》), and the “Rules for the Management of Energy Costs (《能源成本管理細則》)” to minimize the impact on the environment in the project operation period. In addition, the Culture & Tourism Group has adopted the following energy saving and consumption reduction measures in different business segments:

- **Ice & snow segment:** Based on various energy saving and consumption reduction controls of the Culture & Tourism Group, guidelines for inspecting cold leakage points through infrared temperature imager have been formulated to seal cold leakage points to ensure that cold source will not leak out; external construction management measures have been drawn up to control construction energy consumption and avoid wastage of water and electricity and other resources; through monthly technical exchanges, ventilation systems and evaporative cooling systems have been optimized, and refrigeration and snowmaking systems have been implemented to continuously reduce the consumption of water, electricity and fuel;
- **Theme entertainment segment:** The establishment of the Operating Cost Management Committee has effectively connected relevant departments, forming a matrix management model for the coordination of energy control including targeted management that combines the characteristics of the entertainment industry to which it belongs, so as to actively explore a balance between quality and energy consumption. In 2022, according to the national pandemic prevention and control policy, the equipment operation strategy was deeply integrated with tourist admissions, so as to satisfy the tourist experience while minimizing energy consumption.

The Group continues to pursue the environmental targets set by the Real Estate Group and the Culture Group in respect of office premises and by the Culture & Tourism Group in respect of office premises and project operations:

| | |
|-------------------------------|--|
| GHG emission reduction target | GHG emission intensity to decrease by 8% in 2025 as compared to that in 2021 |
| Waste reduction target | non-hazardous waste emission intensity to decrease by 4% in 2025 as compared to that in 2021 |
| Energy use efficiency target | comprehensive energy consumption intensity to decrease by 8% in 2025 as compared to that in 2021 |
| Water efficiency target | water consumption intensity to decrease by 4% in 2025 as compared to that in 2021 |

2.4.1 Green Lease

In response to the requirements of green lease in China, the Group has issued and published documents such as the “Tenant Decoration Manual (《商戶裝修手冊》)” and the “Tenant Management Manual (《商戶管理手冊》)” to form a green agreement with the tenants with reference to the “Green Mall (《綠色商場》)” (SB/T 11135-2015) of the Ministry of Commerce of the PRC, the “Notice on the Publication of the Master Plan of Action for Forging Green Living Lifestyles (《關於印發〈綠色生活創建行動總體方案〉的通知》)” of the National Development and Reform Commission of the PRC and the current management status, and added the “Supplementary Lease Agreement (《租賃補充協議》)” on green lease to the tenant’s lease contracts with prohibitive and encouraging provisions to promote environmental sustainability, working with tenants to improve energy efficiency and reduce emissions. Throughout the leasing period, we cooperated with the tenants to promote the incorporation of environmental management practices covering water and energy saving, promotion of energy saving, green consumption, decoration and renovation and other aspects into their daily operation processes. Meanwhile, the Group actively launches green knowledge training for tenants and organizes green practice sharing activities, which serve as a bridge to communicate with tenants on sustainable progress. While actively promoting greener commercial buildings, the Group collects tenants’ suggestions related to green leasing and sustainable development, and motivates all parties to raise their awareness of green and environmental protection and proactively participate in environmental protection issues, so as to jointly contribute to the cause of global sustainable development.

2.4.2 Energy Efficiency Improvement

The Culture & Tourism Group conducts technology upgrade and improvement in multiple dimensions to facilitate low-carbon development: through actual operation data analysis, optimize the system design of facilities and equipment, with a reduction of equipment load index by up to 40%; improve equipment integration procurement requirements, and reduce system operation energy consumption with more stringent energy consumption standards (the comprehensive energy consumption performance of major equipment is better than the national standard requirement of about 8%~18%); establish the industry’s first intelligent integrated management platform relying on IoT and AI technology, with headquarters data analysis functions, and increases energy consumption comparison dimensions (such as carbon emission evaluation index) to empower operation management and improve quality and efficiency.

The Group proactively promotes the development and application of integrated intelligent energy solutions, including:

1

Application of rooftop PV (photovoltaic) power generation to promote green power generation and partial replacement of traditional utility power;



2

Promoting the application of distributed natural gas combined cooling, heating and power supply technology.

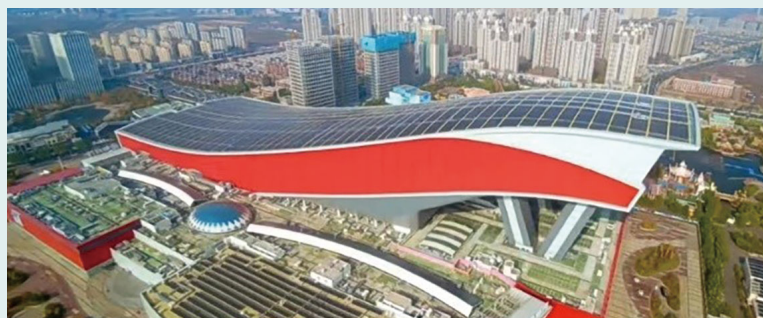


Case: Use of PV Power Generation in the Sunac Bonski Resorts to Reduce Fossil Energy Consumption

All Bonski resorts of the Culture & Tourism Group are planned to be equipped with PV power generation systems, and solar panels are arranged on idle roofs to convert the absorbed light energy into electrical energy, which is then incorporated into the existing power transformation and distribution system and supplied to various power consumption parts. The PV power generation system has the advantages of cleanness and efficiency and decentralized layout with full use of local solar energy resources, replacement and reduction of fossil energy consumption, etc. The total gross floor area of Sunac Bonski resorts in various places is approximately 300,000 sq.m., of which approximately 160,000 sq.m. can be installed with PV.

In 2022, Harbin and Wuxi ski resorts have completed construction of the first phase of PV power generation system, with approximately 78,000 sq.m. completed, capable of generating approximately 12 million kWh of electricity throughout the year, and reducing carbon emissions by more than 10,000 tons. Taking Harbin Bonski Resort as an example, the project completed a PV power generation system at the end of August 2022, and was connected to the grid for power generation and put into use on 5 September. It can save RMB2 million in operating costs every year, delivering remarkable economic and ecological benefits.

The Culture & Tourism Group plans to continue developing and equipping up PV power generation systems in the future, which will contribute to the country in realizing carbon reduction goals while reducing the Group's management costs.



Harbin Bonski Resort

2.4.3 Water Resource Management

The Group strictly implements the water resource management of its operation projects, monitors the operation of the water supply and drainage system through intelligent management platform, and comprehensively uses water-saving equipment for life support equipment to reduce the waste of water resources. For sewage discharges, the Group has adopted corresponding water treatment measures to ensure that the quality of discharged water meets the requirements of national standards. In 2022, the Group did not encounter any issue in sourcing water that is fit for purpose.

The Culture & Tourism Group complies with the national green building standards from development planning to operation management, and develops and innovates in many aspects to maximize the conservation of water resources. The Culture & Tourism Group has also utilized rainwater recovery and reuse systems in many projects to store rainwater and use it for green irrigation, saving a lot of water resources; in the water park, the backwash wastewater of the filtration system is purified, and the direct discharge in the past is changed to recycling; in the ocean park, it fully adopts the system of recycling of fresh desalinated wastewater, and recycles the backwash and suction wastewater after treatment, with a water-saving rate of 60%. For the large-scale artificial lakes in the culture & tourism projects, the Culture & Tourism Group widely adopts the ecological water treatment technology to create a water ecosystem by planting aquatic plants and breeding aquatic animals, forming the self-cleaning ability of the water body, which significantly reduces the energy consumption of the water treatment system for operating while presenting a good landscape effect.

2.4.4 Waste Management

The Group adheres to waste emission control at source and implements the national garbage classification policy; ensures that the fumes and exhausts (mainly from catering), wastewater and domestic sewage generated during the project operation satisfy the national treatment standards; and delivers a small amount of hazardous waste such as waste engine oil, waste lubricant, toner cartridges, printer cartridges and waste lamps to third-party professional teams for recycling and disposal to minimize pollution.

2.4.5 Green Office

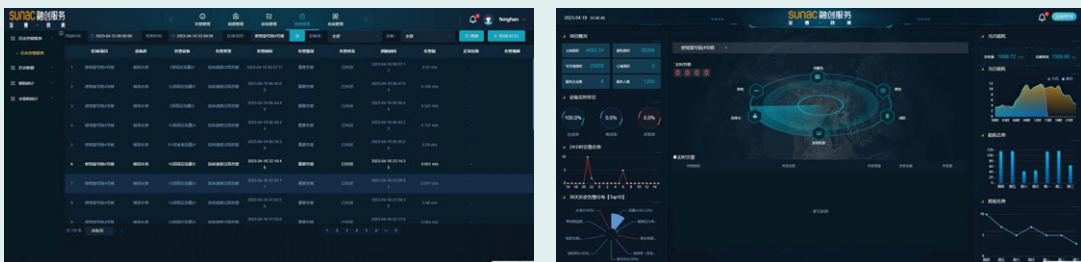
In respect of green office, the Group adopts the following active measures:

- **Office water and electricity:** The Group advocates water and electricity conservation, and by posting warm reminders in the office area, propagandizes the good habit of saving water and electricity; monitors the use of office water and electricity, and regularly analyzes and formulates improvement measures; adjusts the opening and closing time and temperature of air conditioning according to seasons; divides light control by area, turns off lighting, air conditioning and other equipment when there is no one; strengthens the daily inspection and maintenance of water equipment, deals with leakage and unintended flow of water in a timely manner, and reduces the waste of water resources;
- **Office supplies:** The Group advocates paperless office, giving priority to the use of electronic documents and electronic signatures; encourages double-sided black and white printing, and recycles the printed papers; strengthens the management on procurement of office supplies which are applied on demand and used economically; office waste is sorted and processed, and the non-hazardous waste is collected and delivered to the sanitation station for centralized processing, and hazardous waste such as toner cartridges and ink cartridges is recycled by outsourcers for disposal;
- **Office travel:** The Group advocates low-carbon travel by encouraging employees to use public transportation; reduces the number of office vehicles and optimizes the arrangement for use of office vehicles; advocates the use of online communication modes such as telephone and video to reduce the frequency of long-distance business trips.

Case: Launch of the EBA System (equipment remote monitoring system) in the Office Building of the Group's Headquarters

The EBA system realizes the functions of real-time data collection, energy consumption analysis and abnormal situation warning of power supply and distribution, water supply and drainage, fire protection, HVAC, elevators, lighting and other facilities and equipment in the office building. Taking the system's water leakage management as an example, the EBA system can prompt the abnormal situation in the first instance, so that the staff can accurately find the location of leakage and unintended flow of water and deal with it in time, including:

- **Monitoring of air-conditioning fan coil water leakage:** Pressure sensors are installed in the water supply pipelines of fan coil units on each floor. Since the water leakage and seepage of the air conditioning are hidden in the ceiling and difficult to find in time, the system monitors the pressure fluctuation of the water supply pipeline in real time through the pressure sensor. When there is seepage or unintended flow of water from the water supply pipeline, the corresponding warning signal will be transmitted to the EBA system once the water supply pressure drops to the alarm threshold set by the air conditioning system, pursuant to which the on-duty personnel can deal with it immediately on site;
- **Monitoring of water leakage in the office area:** 131 water immersion alarms are equipped in the equipment room, water pipe well, weak electricity engine room, direct drinking water dispenser, tea room, and toilet of the office building. When the alarm encounters a water leakage problem, a warning pop-up window will appear on the desktop and mobile phone of the system, and a warning signal will be sent out at the same time, pursuant to which the on-duty personnel can check the specific warning location and go to the scene to check and deal with it in time;
- **Monitoring of office area water:** Domestic water pipe wells are equipped with smart flow meters. The system sets a regular delay time and an instantaneous flow rate threshold. When there is the flow of water lasting more than 90 seconds or the instantaneous flow is too large at night or on holidays, the system will send out a warning signal to determine whether the water equipment is not closed or there is a pipeline leakage, pursuant to which the on-duty personnel can deal with it immediately on site.



EBA System Interface

2.5 Climate Change

Based on the framework and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Group has actively identified and analyzed the transformation risk and physical risk related to climate change that affect the Group, and proposed targeted measures to improve the adaptability to climate change to adapt to or mitigate the impact of climate change on its business and society. In the meantime, we integrate climate change risks into our risk management system, and the ESG Workgroup regularly evaluates and reports to the ESG Committee on physical and transformation risks and their potential impacts, as well as the related coping measures.

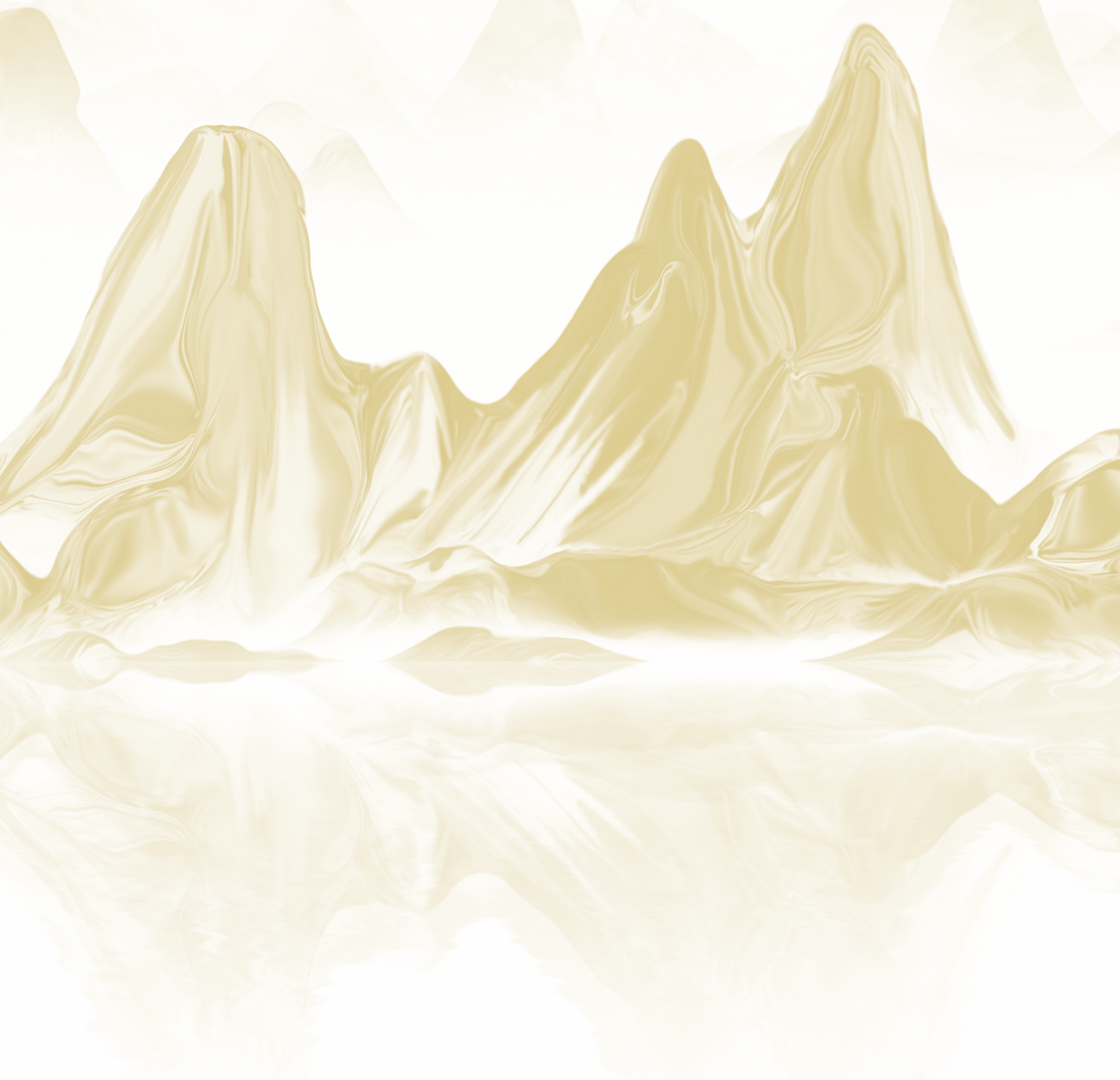
| Category of risks | | | Impact of risks | Coping measures |
|-------------------|--------------|--|---|---|
| Physical risk | Acute risk | Typhoons, extreme precipitation and high temperature | Extreme climate such as typhoons, extreme precipitation and high temperature will cause the Group's construction delays, project operation suspension and office area operation restrictions, etc., and may also cause damage to the assets, which in turn may lead to an increase in the Group's costs, or trigger complaints, breach, compensation or other liability due to business interruptions and other issues. | <ul style="list-style-type: none"> At the early stage of project design, the Group includes the local natural climate risks into risk assessment and employs various measures to reduce the adverse impact of bad weather on residents and customers during the subsequent project operation period; In the process of project construction, the Group purchases insurance for the relevant personnel and equips them with safety equipment. If heavy rainfall, typhoon, long-term drought and other weather occur during construction, the Group will reduce outdoor construction activities to reduce the impact on construction personnel; The Group shall deal with emergencies and daily operation management with strict compliance with the Group's emergency management regulations, and extend the emergency management measures to all office areas and construction units, integrating them into their daily operation management. In addition, the Group incorporates disaster prevention drills into its daily operation and maintenance system and implements them on a regular basis. |
| | | Epidemics | The risk of large-scale sudden epidemics will cause interruptions in construction and office area operation. | |
| | Chronic risk | Average temperature rise | The average temperature rise will have an adverse impact on the normal operations of the Group's construction arrangements, owned properties and office area, endangering the health of employees. | |

| Category of risks | | | Impact of risks | Coping measures |
|---------------------|----------------------------|--|--|--|
| Transformation risk | Policy and regulation risk | Energy conservation and carbon reduction compliance risk | <p>International and domestic regulatory agencies, capital market index rating agencies and others have continuously upgraded the requirements for disclosing enterprise environment related data. At the same time, the government has adopted more aggressive energy – conservation and carbon-reduction strategies and measures, clearly putting forward requirements such as “speeding up the improvement of building energy efficiency” and “speeding up the optimization of building energy structure”. If the Group fails to timely disclose the corresponding environmental information in accordance with relevant laws, regulations and policies, the Group will face compliance risks from regulatory authorities as well as risks of restrictions and pressure from external stakeholders.</p> | <ul style="list-style-type: none"> • The Group continually keeps track of relevant policies and regulations, and actively understands and studies their implementation requirements to formulate corresponding countermeasures; and manages the energy consumed and the waste generated by the operations. The ESG Workgroup comprehensively monitors and manages the Group's energy conservation and emission reduction measures and reports the implementation status to the ESG Committee and the Board on a regular basis; discloses to the public the energy conservation and emission reduction targets already set and their progress; and requires each business group to formulate energy conservation and emission reduction implementation rules and measures for each company and project in a scientific way; • The Group incorporates climate change factors in project investment, design, development, construction, operation, material procurement and other stages; • The Group participates in brownfield development, greenfield development and urban renewal, and enhances green building certification in relevant areas to be developed. |

| Category of risks | | | Impact of risks | Coping measures |
|-------------------|----------------|--|--|---|
| | Technical risk | Costs in the transformation to lower emissions technology/ failing to invest in new technologies | The society tends to choose more environment-friendly technologies. China actively promotes a series of advanced technologies such as green buildings, ultra-low energy buildings, low-carbon buildings, green building materials and sponge cities to be applied in the production and operation activities of relevant enterprises. The Group may be exposed to the risk of being phased out if it fails to adapt to the wave of technological advancement in society. | <ul style="list-style-type: none"> • For new construction and expansion projects, the Group increases investment in green building research and development to enhance the buildings and their communities' resistance to long term climate change and climate disasters through increasing green buildings constantly; • The Group promotes the innovation of sustainable building concepts and technologies such as sponge cities and passive houses, and strives to reduce the impact of project operations on the ecology and environment to slow down the process of climate change; • After investigating the rationality of investment in new technology and its suitability with the Group's business, a new technology will enter the stage of large-scale application only after program demonstration, technical experimentation, and small-scale application, so as to avoid financial loss due to unnecessary technology research failures. |

| Category of risks | | | Impact of risks | Coping measures |
|-------------------|-------------------|---|--|--|
| | Reputational risk | Increased concerns or negative feedback from stakeholders | As climate change becomes increasingly concerned by society, the Group's customers, investors and stakeholders may have lower expectations of the Company's reputation if the Group is unable to actively respond to climate change and demonstrate its green transformation efforts through a variety of actions. | <ul style="list-style-type: none"> • The Group carries out energy conservation and emission reduction in strict accordance with the established environmental targets; • The Group formulates an emergency management plan for extreme natural disasters, a natural disaster prevention and control plan (templates), and emergency response measures to minimize the impact of climate change on the Group's business, thereby reducing the concerns and negative feedback of the stakeholders; • The Group promotes the reduction of GHG emissions in the daily business and life of stakeholders such as employees, suppliers and customers. |
| | Market risk | Green transformation risk | The Group's business environment will be affected amidst the society-wide green transformation process, such as customers requesting companies to extensively use green products and green building materials, and they may choose the Group's competitor's products if there is a negative public opinion regarding climate change for the Group. | <ul style="list-style-type: none"> • The Group expands the usage of clean energy; • The Group promotes intelligent integrated management platform and tracks the performance of GHG emission data in real time during the project operation stage; • The Group develops more energy-saving and environmental products and technologies to reduce GHG emissions through low-energy sustainable buildings and operations. |

Perfect Quality and Achieving the Same Goal with Passion for **Perfection**



3 Perfect Quality and Achieving the Same Goal with Passion for Perfection

The Group upholds the brand philosophy of “passion for perfection”, adheres to the product concept of prioritizing quality and safety, grows together with customers and partners, empowers with technology, contributes to business innovation by means of intelligent technology, and promotes the digital transformation and upgrade of the industry and the Group.

3.1 Quality Innovation

The Group always adheres to the management philosophy of “quality first”, sticks to the product quality and is committed to providing customers with high-quality houses. Guided by the national digitalization and informatization policy, the Group continues to promote digitalization construction of project management and conducts online lifecycle control of construction quality.

3.1.1 Quality Management

The Group guides the planning and implementation of projects in the process of project construction management in accordance with relevant national quality standards and norms and internal control documents such as the “Standard Practice for Leakage Prevention of Sunac Group (《融創集團防滲漏標準做法》)”, the “Application Guidelines for Prefabricated Building of Sunac Group (《融創集團裝配式建築應用導則》)”, the “Internal Control System for Process Quality Control of Sunac Group (《融創集團過程質量管控內控體系》)” and the “Project Delivery Evaluation System of Sunac Group (《融創集團項目交付測評體系》)”, and standardizes project construction standards, and specifies the contents and requirements of project material inspection in special systems such as the “Regulations on Project Material Inspection Management of Sunac Group (《融創集團工程材料檢查管理規定》)” to ensure that the scope and quality of project materials used meet relevant national norms and requirements. As of the end of 2022, the Service Group has obtained ISO 9001 Quality Management System certification.

The Culture & Tourism Group has dedicated quality and safety management departments in its headquarters, subsidiaries and project companies, which are responsible for establishing quality and safety standard systems and evaluating project quality. In order to ensure quality management, the Culture & Tourism Group formulates 8 quality management systems and technical standards in 2022 according to the project requirements, including the “Guidelines of Sunac Culture & Tourism Group for on Lawn Implementation Quality and Maintenance Control (《融創文旅集團草坪實施品質及養護管控指引》)”, the “Standards of Sunac Culture & Tourism Group for Waterproof Material Selection and Construction Practice (《融創文旅集團防水選材及構造做法標準》)”, the “Design Requirements and Technology Standards of Sunac Culture & Tourism Group for Ground Cover (《融創文旅集團地被設計要求與工藝工法標準》)”, the “Measures of Sunac Culture & Tourism Group for the Management of Lighting Selection Library for Night Lighting Design (《融創文旅集團夜景照明設計燈具選型庫管理辦法》)”, the “Acoustical Design Guidelines of Sunac Culture & Tourism Group for Hotel Projects (《融創文旅集團酒店類項目聲學設計導則》)”, and the case base of quality problems in the implementation of special projects such as the “Landscape Engineering Case Base (《景觀工程案例庫》)”, the “Hotel Hardcover Engineering Case Base (《酒店精裝工程案例庫》)” and the “Exterior Engineering Case Base (《外裝工程案例庫》)”, which set up a complete production quality supervision process and carry out the whole process of pre-management of products, with quality results evaluated with rewards and punishments, and an improvement mechanism is implemented according to the results, achieving comprehensive quality assurance for projects in six dimensions, including organization quality assurance, supply chain quality assurance, quality assurance upon project design, construction and acceptance, headquarters sampling and inspection, third-party evaluation, operation supervision and problem elimination.

In 2022, the Group did not recall any product due to unqualified quality inspection.



Quality Month Activity

3.1.2 Application of Digitalization

The Group actively responds to the national policies of “high standard/high quality” and “energy saving and environmental protection”, leveraging on industry Internet + IoT + BIM and digital technology to facilitate the business innovation of its teams and realize cost reduction and efficiency increase. Taking the Real Estate Group as a guide, the Group focuses on the digital upgrade of design + supply chain + platform management, so as to provide strong digital technology support for the business development. In response to the needs of the residential business type, the Group develops a unified BIM design standard at the technical level, focusing on the residential positive design phase and regulating BIM project management. Regarding the needs of non-residential business type, with the experience of the previous work, the Culture & Tourism Group establishes the prototype of lifecycle digital construction mode with BIM application as the carrier, and achieves BIM for the whole process of design and construction, which lays the technical foundation for the project to improve the production efficiency, enhance the design quality and perfect the construction refinement management.

The Group designs a CAD drawings review platform to help the refined construction management and the integrated operation and handover of the digital model:

- Make the group, project units, design institutes, contractors, consultants and other units review CAD drawings on a unified platform;
- The CAD drawings versions are managed in an orderly way, changing the information synchronization situation as the previous version management was chaotic and the documents were sent and received by WeChat and email;
- Revise and track design problems to prevent problems from being revised improperly;
- Achieve precise management through problem classification and statistical analysis, the data feedback to management system and the technical standard system;
- Horizontal benchmarking analysis of multi-project CAD drawings management quality.

The Group continues to build a digitalization construction model for the entire life cycle and promotes the intelligent project management platform of “Sunac Intelligent Construction” in the construction process, realizing full coverage of 25 modules on quality, safety, progress, personnel, evaluation and assessment of projects, and formulating the “Sunac Intelligent Construction Usage Management Regulations (《融創智造使用管理規定》)” for standardized management.

In 2022, the Group consistently promoted the construction of the Sunac Intelligent Construction smart site platform, which integrates monitoring, laser measuring instrument, bluetooth plate thickness measuring instrument and other IoT devices, achieving digital management of progress, quality, safety and risk analysis from all aspects, and assisting the management in decision making with the big data platform. At the same time, it empowers managers, producers and participants at all levels to become users of the Sunac Intelligent Construction Platform, and provides real-time guidelines for accessing, collecting and applying data information and participating in training. In 2022, the Sunac Intelligent Construction Platform completed over 500,000 work procedures in total, over 160,000 field survey and measurement data, over 80,000 batches of materials acceptance, and over 190,000 supervision logs.

3.2 Safety and Health

The Group takes health and safety as its first priority, establishes and improves its safety management system, and is committed to providing healthy, safe and high-quality products and services to its customers. At the same time, the Group regards the protection of health and safety as one of its strategic red lines, promotes safety culture construction, and makes every effort to protect the occupational health and safety of its employees.

3.2.1 Safety Management System

The Group strictly complies with the “Fire Prevention Law of the People’s Republic of China (《中華人民共和國消防法》)”, “Production Safety Law of the People’s Republic of China (《中華人民共和國安全生產法》)”, “Regulations on the Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》)”, “Provisions on the Supervision and Inspection Over Fire Protection (《消防監督檢查規定》)”, and other national laws and regulations as well as industry standards. The Group also constructs internal systems and management structure for project construction and operation, so as to regulate the execution process of project quality and safety management, strengthen the risk control in project construction, and improve the level of project safety management. The Service Group continuously strengthens occupational health and safety management and has obtained ISO 45001 Occupational Health and Safety Management System certification.

The Group established a healthy and safety management framework from the decision-making level to the execution level. The executive Director and the Chief Executive Officer is responsible for the coordinated management of health and safety affairs, and coordinates and deploys the strategic and annual work related to the health and safety. As the health and safety strategy formulation and supervision body of the Group, the Health and Safety Committee is responsible for setting the health and safety strategy and performance. In the terms of the management level, the health and safety committee authorizes the Real Estate Operation Center to perform daily management duties. The Real Estate Operation Center has the Quality and Safety Working Group, which is responsible for the health and safety of employees, suppliers, contractors and other partners, and organizes regular occupational health and safety training in collaboration with the organization development department and reports the work progress to the Health and Safety Committee periodically.



Health and Safety Management Framework

In terms of occupational health and safety management, the Group earnestly implements occupational health management, optimizes the working environment of employees, focuses on employees' occupational health, strictly complies with the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》)" and formulates the "Health and Safety Policy of Sunac" with reference to the "Occupational Health and Safety Management Systems Requirements with User Guidelines (《職業健康安全管理體系要求及使用指南》)", and extends the policies to cover all employees, suppliers and contractors. The Group regularly surveys the health and safety performance and feedback of suppliers and employees, constantly improves various policies, enhances the Group's ability to care for the health and safety of relevant personnel, strives to achieve the goal of zero fatalities for all employees, suppliers and contractors, and effectively protects the health interests of all employees, suppliers and other partners. In the past three years, the Real Estate Group had no work-related fatalities. In 2022, the Real Estate Group suffered 11 work-related injuries and 587.5 working days lost due to work-related injuries.

The Group's Health and Safety Goals

- Committed to achieving the **goal of zero fatalities**, for all employees, suppliers, contractors and other partners of the Group
- **Full coverage** of health and safety training for all employees and contractors of the Group

The Group has improved its health management measures from project production administration to daily operation, from management personnel to general employees, and has continuously reviewed and updated its management objectives, workflow and plans and implementation proposals related to occupational health and safety, and incorporated the management objectives into the performance evaluation indicators and reward and punishment program of relevant management personnel and executives. In its daily operations, the Group continuously inspects the documents and records and circumstances in connection with the rights and interests of employed workers and occupational health and safety. In the event of any disputes, non-compliance reports and work-related accidents related to occupational health and safety, the Group requests, urges and supports the relevant companies to review the inspection and investigation results, and requests the relevant companies to make rectification.

Regarding safety of project production, the Real Estate Group continued to strictly implements internal management systems such as the "Safety Management Bottom Line of Sunac Group (《融創集團安全管理底線標準》)" and the "Measures of Sunac Group for Investigating the Accountability of Work Safety Accidents (《融創集團安全生產事故事件責任追究管理辦法》)", formulated systems covering all business segments and suppliers, and emphasized construction safety requirements in the general subcontracting contracts. The Real Estate Group has also formulated the corresponding safety management bottom line and accountability system to continuously strengthen the management and optimization of the staff deployment, special

equipment, accountability mechanism and online application, etc. and also stipulated the responsibilities, the accident reporting process and the conditions for derogation of responsibility of the first responsible person for project safety as well as the accountability and punishment level for safety accidents and accident concealment, in accordance with the “Measures of Sunac Group for Investigating the Accountability of Work Safety Accidents (《融創集團安全生產事故事件責任追究管理辦法》)” and the “Evaluation and Incentive Program for the Project, Operation and Customer Relations Systems of Sunac Group (《融創集團工程、運營及客關體系考核激勵方案》)”. While strictly ensuring work safety of all business segments, the Group has specified requirements for suppliers’ production processes, accident management and emergency measures, and monitors contractors’ health and safety indicators and risk exposure on a regular basis to ensure the safety of the construction and operation.

Case: Sunac Intelligent Construction Platform Coordinates Safety Management

Based on the Sunac Intelligent Construction Platform System, which was built in 2021, the Group further promoted the application of the developed functions of the system in 2022, including the field survey and measurement with laser instruments, online routing inspection by functional departments, video monitoring of construction sites, etc., so as to continuously improve the management radius and the management efficiency.

At the same time, the Sunac Intelligent Construction Platform further expanded the real-name management function of construction sites in 2022. The data of all real-name registration system entry and exit gates of the Group’s construction projects are transmitted back to the Sunac Intelligent Construction Platform through the information transmission interface, and the identity information of all workers entering the construction sites (including their subordinate units, types of work, entry and exit time, etc.) can be queried and generated in real time, enabling the front-line engineers to count the labor demand, and at the same time providing more comprehensive and efficient management tools for the qualification examination and information filing of the personnel entering the construction sites, ensuring that the qualifications of the workers entering the construction sites are complete and reducing security risks.

The Culture & Tourism Group has established a systematic and full-coverage three-level safety management structure. In combination with the safety management information system, the Group has implemented a safety management system of “implementation at each level and supervision by all employees” from the Group to all subsidiaries under its supervision.



The Culture & Tourism Group's Three-level Safety Management Structure

According to its own business type and operation model, the Culture & Tourism Group has compiled a safety system consisting of 5 segments, 16 categories and 126 sub-items, covering six major scenarios: safety training, operation process, repair and maintenance, large-scale activities, emergency response and accident investigation, including safety management standards, processes and samples for personnel, equipment, emergency response and investigation in the whole process and all-around way. In 2022, taking into account the adjustment of project operation and responsibilities, the Culture & Tourism Group organized engineering, equipment, property and safety supervision lines, upgraded and iterated 285 safety training coursewares, and entered such coursewares into the Sunac e-learning module in the form of video explanation and text introduction and presentation, providing training materials for local companies, so as to improve their safety awareness and promote their professional abilities.

3.2.2 Improving Safety Performance

The Group is committed to developing and applying new technologies and methods that facilitate safe operational performance, and incorporating the safety production concept into every aspect of its operations to continuously improve safety performance and achieve the goal of “zero fatalities”. During the construction, the Real Estate Group gives priority to safety and environmental protection technologies such as interspersed construction, new technology of well type construction lift, high heat recovery technology and prefabricated construction, which achieves the overall improvement of safety performance, environmental benefits and construction efficiency while ensuring quality.

In daily operation management, the Real Estate Group insists on holding safety training meetings for all projects with employees of construction companies every morning, and regularly organizes safety management trainings and internal appraisal at different levels, and regularly organizes communication and theme trainings on product quality and safety for various regions/city companies. In 2022, the coverage of safety trainings for employees and contractors of the Real Estate Group achieved 100%, thereby achieving management empowerment and joint improvement across different regions; at the same time, it optimizes online evaluation tools and gradually establishes a smart site platform to further promote the application of digital and online systems in safety management.

To ensure safe operation, the Culture & Tourism Group displays safety warning signs in security facilities and other equipment and places in accordance with the relevant provisions of the “Safety VI Sign Application Regulations of Sunac Culture & Tourism Group (《融創文旅集團安全VI標識應用規範》)” to raise the awareness of safety prevention among all employees, and conducts safety monitoring training for all employees and suppliers. According to the “General Safety Regulations (《通用安全管理規定》)” and the “Safety Evaluation Management Regulations (《安全考核管理辦法》)”, the safety supervisors at headquarters of each professional company of the Culture & Tourism Group carry out safety evaluation and inspection every year for each subsidiary, regularly carry out special safety inspection, and incorporate the safety threats into the safety monitoring information system of the project properties and supervise the rectification, which is also included in the annual safety evaluation.

The Culture & Tourism Group pays great attention to the promotion and implementation of the safety management system. In order to satisfy the requirements of different positions, the Culture & Tourism Group has established a safety training team led by the general manager of the project company to enable systematic management of staff safety training, achieve the closed-loop management of analyzing training needs, conducting training and evaluating training effects, and promote the continuous enhancement of staff's safety awareness. In addition, the Culture & Tourism Group has also established mechanisms for employee safety training at three levels, special training and special safety training to implement multi-channel, multi-scenario and multi-level safety culture construction in a tiered, classified and localized manner.

Case: Theme Entertainment “Safety Month” Activity

During the “Safety Month in June” in the theme entertainment segment of the Culture & Tourism Group in 2022, it fully implemented the propaganda theme of “Complying with the Safety Production Law and Being the First Responsible Person”, and conscientiously implemented the safety responsibility system for all employees. Combined with the characteristics of high turnover of the personnel of the theme entertainment business, the Culture & Tourism Headquarters organized all theme entertainment companies to carry out the related trainings on the promotion and implementation of the new version of safety production law, food safety, water world safety, safety control of high-altitude detention of amusement equipment, and the trainings and examinations on the safety hazard atlas and the safety supervision management system, and achieved good results. The number of participants in this training and examination reached 4,891, with a passing rate of 100%. This activity not only strengthened the safety awareness of all employees, but also improved all employees’ ability to identify hidden dangers.



“Safety Month” Training Activity

3.3 Customer-Centric Concept

On the basis of continuously improving the customer service system and protecting the customers' data and privacy, the Group strengthens the customer awareness of each responsible organization according to the customers' needs and opinions, and provides the customers with quality products and services.

3.3.1 Improve Customer Experience

The Group has set up a service quality monitoring and evaluation system for each business type, and conducts a full process evaluation of customer experience through the combination of multi-channels online and offline. From the perspective of customer product experience evaluation, result analysis, target setting and suggestion improvement, the Group has set up a full-cycle touch point research mechanism for all projects it developed and participated in cooperation and used the Sunac brand, and keeps pursuing higher targets and better customer reputation.

The Group has identified the key touch points of customer experience in each business type, and evaluated each touch-point by timely and efficient means such as online official account touch point survey and 400 telephone survey, and monitored key data of each business type to analyze customer service experience. Each business type sets targets from multiple dimensions, analyzes the progress of target achievement and major customers' feedback through the "Monthly Operation Quality Report (《月度運營品質報告》)".

Focusing on customers, the Group has been building a one-stop "cloud" service platform for customers, allowing them to participate in the business and become the supervisors of the Group's services. In May 2022, "Yun Ke (雲客)", a customer relationship full-business operation system, was launched in the whole Group, which built a smart customer service "cloud" platform, established a core business index system for customer relationship management, and used for health analysis of customer relationship core business indicators and multi-level early warning upgrade iteration. It also improved the lifecycle customer database to achieve digital empowerment and promoted the transformation from "digital" to "digital intelligence" empowered business model.

In terms of customer delivery, the Group gradually implemented innovation and revolution in various regions, for example:

- Increase efforts on the promotion of “monthly letters from home (每月家書)”, “cloud supervisor (雲監工)”, “cloud opening (雲開放)” and “sincere workshop (臻心工場)” during the waiting period of customer delivery, so that customers can know the quality of houses to be delivered in advance, follow up the progress of projects in real time, and alleviate their anxieties during the waiting period of delivery;
- Create the first cloud delivery system in the industry, and fully realize paperless and remote online delivery in the integrated processes of customer reservation, visit, contract signing, payment and house inspection, greatly improving the handling efficiency of delivery procedures;
- Improve the customer delivery experience. One-stop delivery, garden tour delivery, immersive art exhibition delivery and other delivery ways are all positive explorations for the Group;
- Promote the activity of issuing real estate certificates immediately upon delivery in various projects across the country, which is also to make efforts to innovate based on the sensitive points of customer needs.

“Deliverability” is a long-term journey with initial intention and continuous exploration. With the vision of continuously exceeding customers’ expectations, the Group focuses on industry changes and customer demand changes, and as always, actively explores the dimensions of product development and service innovation, constantly makes progress, constantly brings better products and living experience to customers, and at the same time passes on the continuous pursuit of a better lifestyle and value system to the market: for example, the Group takes the community for all-aged populations as the application orientation, and carries out community activities for children, the elderly, young and middle-aged people and other different age groups in the community space, so as to realize intimate interaction among neighbors and enable owners regain their sense of belonging and participation in “watching and hearing from each other in neighborhood”. In Sunac, delivery is not the end, but the starting point for starting a better life in Sunac’s community.

During the operation period of projects, the Group also takes various measures to pay continuous attention to the improvement of customer service quality. The Culture & Tourism Group organizes random inspections from time to time, with staff from the headquarters acting as mystery visitors to secretly investigate the face-to-face customer service information of each business type, and produce inspection reports on customer service, entertainment, environmental hygiene, environmental image, etc. and also develops third-party customer feedback analysis tools to assist in the evaluation, so as to promote each business type to continuously iterate the on-site operation service standards and improve the service quality.

Case: The Culture & Tourism Group Established a Comprehensive Customer Experience Survey System to Continuously Optimize the Customer Experience

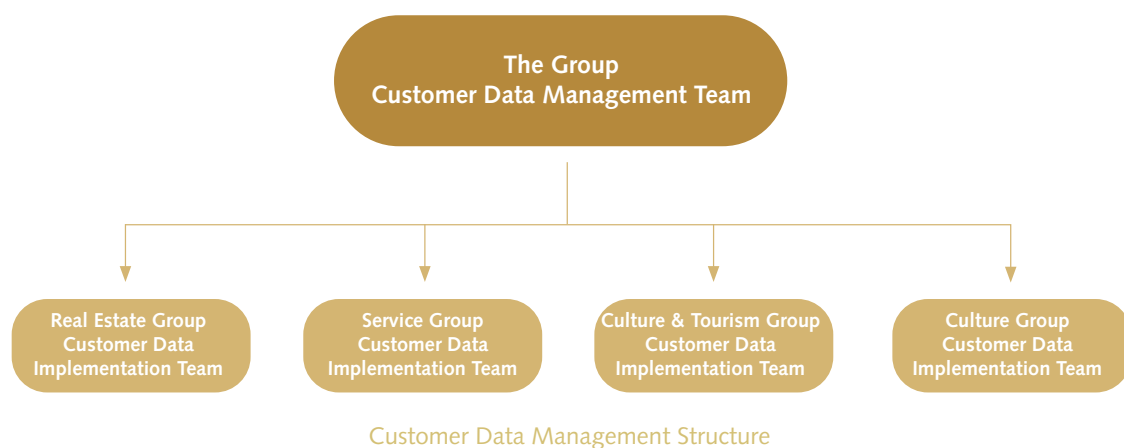
In 2022, the Culture & Tourism Group designed a customer journey and contact point map, and through the self-developed Sunac Culture & Tourism Club applet (customer relationship management system), realized all-round online survey on the customer experience of various business types in the culture & tourism cities. At the same time, the Culture & Tourism Group took offline survey as a supplement to online survey, which made the advantages and disadvantages of online survey and offline survey complement each other, identified and managed customer feelings through all channels, and then iterated the experience management standards to continuously improve customer experience.

The Culture & Tourism Group regularly analyzes the survey results of various cities and business types, conducts offline special surveys after identifying problems, and links with other business departments to jointly solve customers' problems. For complaint issues, after handling the customer's complaint in each city, the team directly under the headquarters will conduct a complaint satisfaction survey to ensure that the customer's complaint is properly handled, and understand the customer's evaluation feedback on complaint handling from three aspects, i.e. handling efficiency, scheme rationality and customer satisfaction, so as to ensure the efficient and satisfactory handling process.

Through pre-planning, implementation of management and control, report sharing and other measures, the Culture & Tourism Group ensures that the problems found in surveys can be solved quickly, the management and control standards can be optimized continuously, and the final survey results will be applied to the quality assessment items of various projects and included in the annual assessment. In 2022, the Culture & Tourism Group achieved an improvement in the reputation of social customers, with a complaint rate decreasing by 8.9% as compared with the previous year. The scores of OTA (Online Travel Agency, full score is 5 points) in Ji'nan and Chongqing ocean parks increased from 4.5 and 4.7 to 4.8, respectively, and scores in respect of various business types in different cities also reached a high level (the average of land park, water park and ocean park being 4.79, 4.75 and 4.80, respectively) in 2022.

3.3.2 Customer Privacy Protection

The Group formulates policies for the protection of customers' privacy and personal information in accordance with the "Law of the People's Republic of China on the Protection of Personal Data (《中華人民共和國個人信息保護法》)" and other laws and regulations, and strengthens internal management requirements for the collection, storage, use, processing, transmission, provision and disclosure of data with reference to the "Data Security Law (《數據安全法》)". The Group has established a virtual customers management organization for the Group – the customer data management team, which is led by the Group's marketing and customer relationship department and jointly composed of the digital technology department and relevant departments of the Culture & Tourism Group. It is responsible for the establishment, improvement and optimization of the customer data management system, the establishment of the Group's central customer database and the customer interconnection platform, the audit, processing, display and security management of customer data, and the provision of guidance to promote the online use of customer data of various business groups. Under the guidance of the customer data management team, each business group sets up a virtual organization of customer data implementation team, which is responsible for the implementation of the customer data system, data management and modification, and the interconnection of customer's business systems with the Group's central customer database.



The "Cybersecurity Policy of Sunac" stipulated relevant requirements on the centralization, connection, identification and use of data to ensure the compliant use of customer data across the Group, regions and business types, and to strictly comply with the approval process for the use of customer data. In addition, the Group has formulated data security regulations, which clearly stipulate the account information, service names and ports, information encryption, password change frequency and external customer data interconnection methods of customer's business systems database, and require additional file security restrictions on customer data, signing of customer data confidentiality agreements between the two parties when interconnecting with third party system data, and conducting data masking for customer base data.

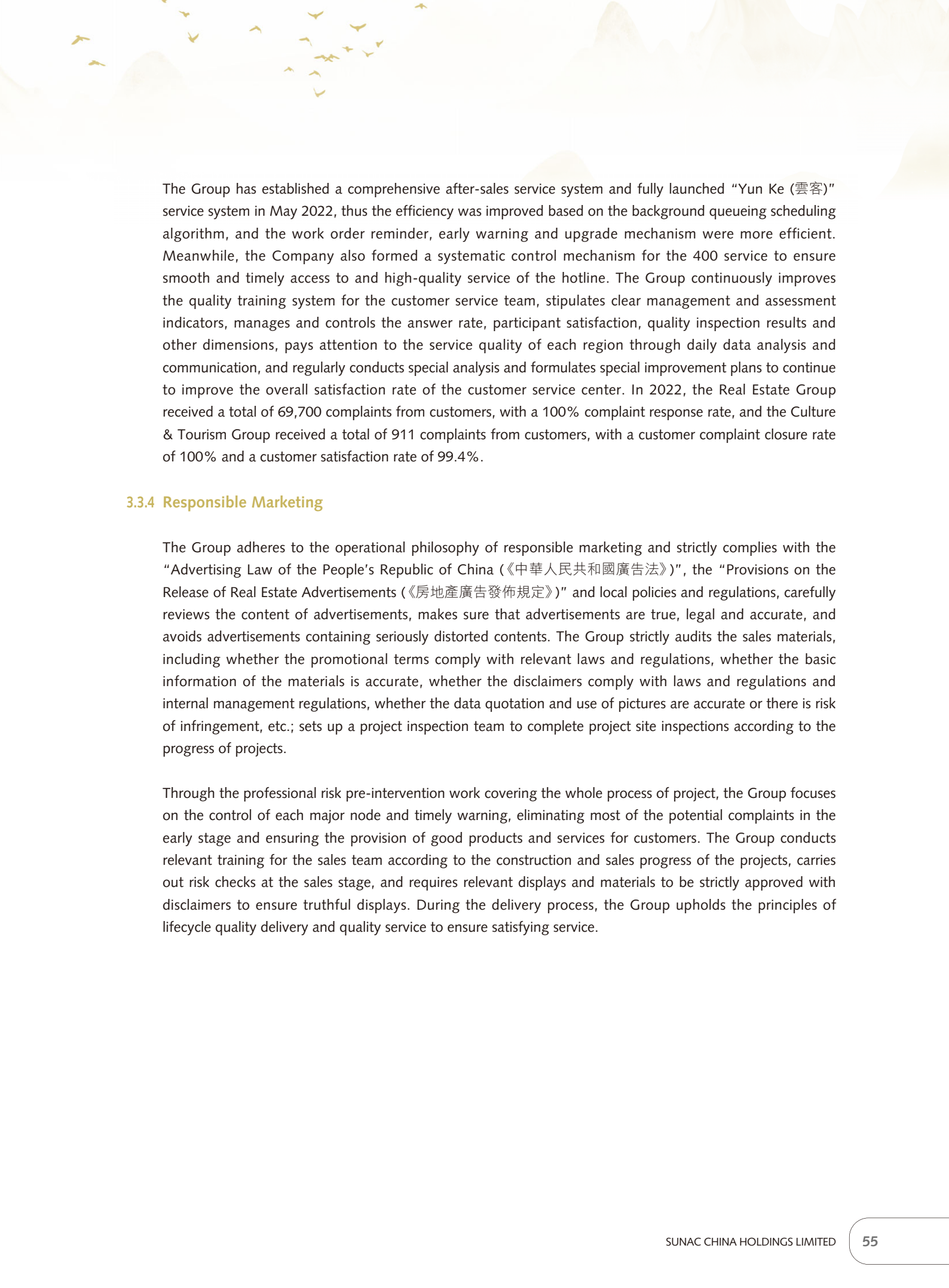
3.3.3 Customer Complaint Management

The Group attaches importance to listening to customers' demands, and has formulated the "Customer Complaint Management Measures of Sunac Group (《融創集團客戶投訴管理辦法》)", and the "Management Measures for the Standardization of Daily Customer Reporting Services of Sunac Group (《融創集團客戶日常報事服務規範管理辦法》)" and other systems, which set out detailed requirements for the handling of customer complaints and inquiries, the classification standards of complaints, and the handling of urgent matters. In addition, the Group has established an upgrade mechanism of "Project-City-Region-Group" to increase the requirements for quick response to major customer incidents.

The Group has established a multi-node customer complaint risk management and control and customer complaint management system.

- In order to reduce the occurrence of complaints in advance, the Group has set up a risk preintervention management process, and added third-party maintenance and spare parts resources inspection procedures, pre-delivery customer handling procedures, improvement of sales commitment risks and other standards to the "Delivery Risk Assessment Standards of Sunac Group (《融創集團交付風險測評標準》)" to strengthen the standards for risk prevention and control in advance;
- During the construction process, the Group carried out a comprehensive process evaluation for the projects and implemented a strict approval system for design changes to ensure the quality of the projects;
- During the sales process of the projects, the Group requires each sales office to display the "Sincerity Notice (《臻心公告》)" to its customers, which covers reminders of adverse factors inside and outside the red line and other important information of the projects, and includes the contents of the notice in the sales contract to ensure that customers are fully informed.

Through the expansion of service channels, the adoption of pre-consultation and comprehensive coverage of problems in various scenarios, the Group has been able to achieve advance understanding and internal communication of questions that may be raised by customers, to improve communication efficiency and information accuracy, and analyze the causes of problems and formulate improvement plans by reviewing and analyzing customer complaints from various regions to minimize the risk of complaints in an all-round manner.



The Group has established a comprehensive after-sales service system and fully launched “Yun Ke (雲客)” service system in May 2022, thus the efficiency was improved based on the background queueing scheduling algorithm, and the work order reminder, early warning and upgrade mechanism were more efficient. Meanwhile, the Company also formed a systematic control mechanism for the 400 service to ensure smooth and timely access to and high-quality service of the hotline. The Group continuously improves the quality training system for the customer service team, stipulates clear management and assessment indicators, manages and controls the answer rate, participant satisfaction, quality inspection results and other dimensions, pays attention to the service quality of each region through daily data analysis and communication, and regularly conducts special analysis and formulates special improvement plans to continue to improve the overall satisfaction rate of the customer service center. In 2022, the Real Estate Group received a total of 69,700 complaints from customers, with a 100% complaint response rate, and the Culture & Tourism Group received a total of 911 complaints from customers, with a customer complaint closure rate of 100% and a customer satisfaction rate of 99.4%.

3.3.4 Responsible Marketing

The Group adheres to the operational philosophy of responsible marketing and strictly complies with the “Advertising Law of the People’s Republic of China (《中華人民共和國廣告法》)”, the “Provisions on the Release of Real Estate Advertisements (《房地產廣告發佈規定》)” and local policies and regulations, carefully reviews the content of advertisements, makes sure that advertisements are true, legal and accurate, and avoids advertisements containing seriously distorted contents. The Group strictly audits the sales materials, including whether the promotional terms comply with relevant laws and regulations, whether the basic information of the materials is accurate, whether the disclaimers comply with laws and regulations and internal management regulations, whether the data quotation and use of pictures are accurate or there is risk of infringement, etc.; sets up a project inspection team to complete project site inspections according to the progress of projects.

Through the professional risk pre-intervention work covering the whole process of project, the Group focuses on the control of each major node and timely warning, eliminating most of the potential complaints in the early stage and ensuring the provision of good products and services for customers. The Group conducts relevant training for the sales team according to the construction and sales progress of the projects, carries out risk checks at the sales stage, and requires relevant displays and materials to be strictly approved with disclaimers to ensure truthful displays. During the delivery process, the Group upholds the principles of lifecycle quality delivery and quality service to ensure satisfying service.

Case: Measures for Outstanding Deliverability

In 2022, the Group completed the delivery of approximately 180,000 houses¹ in 201 projects across 84 cities, which once again demonstrated Sunac's strong deliverability in the industry.

- **High-end project delivery sets a benchmark for urban habitation**

One Central is the TOP product series of Sunac, and each One Central is the cover of the city. In the first half of 2022, the Group delivered seven One Centrals in core cities across the country, namely, Hangzhou Jiangnan One Central, Hangzhou Central Mansion, Sunac Hopsca Center Wuhan One Central, Chongqing One Central, Wuxi One Central, Shaoxing One Central and Yiwu One Central, which set a benchmark for urban habitation with high standards, good-looking and high quality, and promoted the quality improvement of the industry.

- **The construction of park environment pays attention to the delivery of garden quality**

Carefully select seedlings, plant the seedlings in advance, and present a lush garden effect at the time of delivery. For example, the construction team of Chongqing Hanlin Academy project finished planting all the trees in the park half a year ahead of schedule, and exchanged time for space, finally presenting a green and beautiful park-style ecological residential area.

- **One-stop delivery simplifies the delivery process**

In order to comfort the owners to the maximum extent for their long-term waiting, the project team simplified the delivery process in a "one-stop" way, making the livable journey efficient and convenient.

- **Deliver the livable theme space at the same time to start community life**

The Group uses the open floor to provide the owners with a variety of livable theme space scenes and delivers such scenes to the owners at the same time, activates the space utilization through operation services, and enriches the community life. For example, Shaoxing Sunac-Zhenyue Garden takes the localized life content display as the theme, and is driven by parenting-friendly, elderly-friendly and national health service, creating four full-age livable spaces, namely, BOOKSTALL ZONE, SHELL PARK, LEHUO LOHAS and FOOTPRINT SPACE, and three pan-scene spaces.



Wuxi One Central

Note 1: The statistical scope covers the Group as well as its joint ventures and associates.

3.4 Responsible Supply

The Group takes suppliers as important partners and implements a full lifecycle management process for suppliers from entry, evaluation to withdrawal. The Group has established a standardized supply chain management system, comprehensively incorporating environmental and social factors into the evaluation and consideration of the supply chain, and continues to practice the concept of sustainable procurement.

3.4.1 Supplier Management

For the purpose of optimizing the supplier management system and strengthening the prevention and control of environmental and social risks in the supply chain, the Group has formulated the “Supplier Management Regulations of Sunac Group (《融創集團供應商管理規定》)”, setting up a standardized workflow for supplier management, specifying the responsibility system of all relevant departments of the Group for supplier management as well as the whole process management model of supplier from sourcing, review, entry, selection, process management and performance evaluation, etc., which will be continuously improved in accordance with the business development and potential risks in the supply chain.

- The Group requires all suppliers to provide a signed and valid “Supplier Integrity Commitment Letter (《供應商廉潔承諾函》)” before the selection inspection and to sign the “Supplier Integrity Agreement (《供方廉潔協議》)” at the same time when entering into the contract, which requires suppliers to establish a sound self-discipline system, carry out integrity education, publish channels for whistle-blowing, supervise and carefully investigate and deal with illegal, non-compliant and disciplinary offence acts.
- The Internal Audit and Supervision Department is responsible for the long-term supervision of suppliers and the implementation of supervision for potential irregularities and frauds in all aspects, and receives whistle-blowing from suppliers at any time and handles relevant whistle-blowing in accordance with the regulations.
- According to the supplier management requirements, the Group carries out classified and hierarchical management of suppliers according to the category, the procurement value and risk impact, and stipulates the reward and punishment principles according to the classification recognition standards, and also carries out hierarchical management and whole-process differentiated management of suppliers according to the classification and hierarchy status.
- For the eliminated suppliers, the Group will perform annual clearance out of the pool or directly include them in the blacklist for the corresponding years, and subsequently handle it in accordance with the blacklist management regulations.

The “Supplier Code of Conduct of Sunac” established by the Group clearly stipulates the minimum requirements for suppliers to comply with in terms of environmental protection, lawful employment, safe operation, safeguarding intellectual property rights and business ethics, and requires all cooperative suppliers to comply with these requirements so as to achieve effective prevention and proper handling of supply chain risks. In addition, the Group encourages suppliers to strengthen their own ESG performance management, set emission reduction targets, reduce their own carbon footprint, strengthen communication and exchange with employees in labor management, and actively obtain ESG related certifications. As at the end of 2022, approximately 62% of suppliers of the Group had the ISO 14001 Environmental Management System certification, approximately 75% of the suppliers had the ISO 45001/OHSAS 18001 Occupational Health and Safety Management Systems certification and approximately 73% of the suppliers had ISO 9001 Quality Management System certification.

As for supplier communication, the Group has a well-established mechanism for supplier cultivation and relationship maintenance, and adopts a combination of online and offline methods to conduct regular supplier training meetings, special Q&A sessions, special training sessions, separate telephone guidance during contract performance, training for new suppliers and many other scenarios to provide timely training and guidance to important suppliers. In addition, the Culture & Tourism Group has compiled materials on the “Safety Management and Control Training for Cooperative Suppliers (《合作商戶安全管控培訓》)” and organized safety training for suppliers across the country.

For suppliers who fail to meet quality standards, the Group will make more efforts to rectify them and arrange trainings for them, require them to submit written “Rectification Measures (《整改措施》)” after receiving trainings, and will follow up the rectification results in a timely manner and decide whether to cooperate with them again based on whether the rectification results meet standards or not. The Group regularly organizes supplier meetings and supplier seminars to maintain key relationships and communicate with long-term suppliers, and facilitates smooth feedback channels for suppliers in the process of contract implementation. The Group conducts supplier satisfaction surveys several times every year, compiles the “Satisfaction Survey Conclusion Report (《滿意度調查總結報告》)” based on the survey results, conducts training and makes improvement recommendations for those lines with problems.

3.4.2 Green Procurement

The Group endeavors to build a sustainable supply chain by comprehensively integrating environmental protection, resource saving, safety and health factors into the procurement process. The Group has formulated the “Procurement Management Regulations of Sunac Group (《融創集團採購管理規定》)” to specify the procurement principles and management regulations, pursuing the general principles of integrity, fairness and impartiality, open decisions and confidentiality in procurement, and advocating the principle of environmental protection, proposing that any procurement activities should take into account the protection of the environment and the need for sustainable development. Through organizing supply chain system communications from time to time, the Group delivers the philosophy of green and healthy development to all of its suppliers and partners to strengthen collaboration, achieve win-win cooperation and jointly practice

sustainable development. In the “Environmental Policy of Sunac”, the Group has made specific provisions on green procurement and has committed to:

- Implementing sustainable procurement strategies and adopting materials that have low environmental impact, and are harmless and more energy efficient;
- Giving priority to materials with environmental certification granted by independent third parties in the process of procurement, ensuring that the relevant purchases comply with specific environmental standards and specifying the environmental requirements for the products in the purchase agreements signed with the suppliers;
- Considering the carbon emissions and environmental impact of material transportation and giving priority to procurement of materials nearby the project site;
- Ensuring that suppliers satisfy the Group’s quality and environmental requirements and all comply with the “Supplier Code of Conduct of Sunac”.

The Group promotes the adoption in each project of the environmental protection materials or healthy materials by the suppliers engaged in the strategic centralized procurement, with the relevant ratio exceeding 90%, develops the third-party material testing program, and has the ability to realize 100% of the categories undergoing environmental protection testing and sampling; through the promotion and introduction of green building materials, recycled materials and purification materials, increases in the use of imitation bricks, precast concrete bricks, artificial stone plates and other stone-removed materials, reduces the use of natural resources, reduce the reflective harm caused by stone materials, and adopts aluminum alloy building profiles without chromium passivation film to reduce the harm of chromium compounds produced in the production process of aluminum profiles to the environment and the human body.

Case: Green Procurement Project-Wallpapers and Wall Covering

By signing an agreement with suppliers for centralized procurement and other methods, the Group agrees on the standard level of raw materials with suppliers, and cooperates with third-party testing agencies in the process to conduct material sampling to ensure the quality of supplied materials. According to the “Indoor Decorating and Refurbishing Materials-Limit of Harmful Substances of Wallpapers (《室內裝飾裝修材料壁紙中有害物質限量》)” (GB 18585-2011), the Group takes one-fifteenth of the limit of PVC nonwovens as the introduction index to reduce the harm of hazardous substances in wallpapers to the environment and human body.



**Being
People-Oriented and
Concerted Efforts**

4 Being People-Oriented and Concerted Efforts

The Group regards employees as the cornerstone of long-term development, adheres to the principle of fair, diversified and non-discriminatory employment of talents, continuously improves the talent management system, formulates a rich and diverse training system, creates a harmonious, inclusive and friendly working atmosphere for employees, listens to the voices and demands of employees, cares for employees' lives, ensures the sustainable growth of employees, and creates a better future with employees.

4.1 Talent Protection

Talent has always been the core competitiveness of the Group's sustainable development. The Group employs in accordance with the law, prohibits child labor and forced labor, adheres to equal and diversified recruitment of talents, enriches the recruitment system and protection mechanism, optimizes the internal salary and welfare system, and creates an image of industry-leading employer.

4.1.1 Equal Employment

The Group strictly abides by the "Labor Law of the People's Republic of China (《中華人民共和國勞動法》)" and the "Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)", refers to the "International Labor Conventions", and formulates internal systems such as the "Recruitment Management System of Sunac Group (《融創集團招聘管理制度》)", the "Administrative Measures for Recruited Employees of Sunac China (《融創中國入職員工管理辦法》)" and the "Diversity and Inclusion Policy of Sunac". In 2022, the Group updated the "Re-employment Management Requirements (《再入職管理要求》)" to standardize the requirements and operational procedures for the re-employment of departing employees. The Group is committed to creating a diverse and inclusive working environment and development environment for all employees, respecting the human rights of all employees, not discriminating on the basis of the region, ethnicity, race, gender, habits, religious beliefs and other differences of job seekers, protecting the legitimate rights and interests of employees, and strictly implementing the labor contract system. In 2022, the Group had a total of 45,198 regular employees and 795 non-regular employees, including interns and secondment.

The Group has always adhered to the people-orientated principle, ensuring compliant employment and strictly prohibiting the employment of child labor and compulsory labor. The "Requirements for Management of Employee Entry of Sunac Group (《融創集團入職管理規定》)" formulated by the Group require that the age of the employees hired must be over 16 years old. In the labor contracts signed with employees, it is clearly stipulated that the average working hours of the employees every day and week shall not exceed the time stipulated in the "Labor Law of the People's Republic of China (《中華人民共和國勞動法》)"; if the Group arranges for employees to work overtime due to business needs, it will arrange workday shift leave for rest or pay corresponding labor compensation in accordance with the provisions of the law to safeguard the legitimate rights and interests of employees. In 2022, the percentage rate for entering into employment contracts with the Group's regular employees was 100%, and there were no incidents of child labor or forced labor.

In order to ensure the principle of fair, open and diverse recruitment, the Group adheres to the inclusive and open recruitment values and continuously enriches the recruitment system and safeguard mechanism.

The Measures for the Employment of 2022

Renewed avenues for employment



- through the “Sunac Cloud Recruitment (融創雲招聘)” platform, achieved online recruitment, online interview, and online job offers, and solved the problem of recruitment and job seeking difficulties amidst the COVID-19 pandemic

Diversified employment



- social recruitment
- fresh graduate recruitment
- re-employment of departing employees
- cross-sector transfer and competition
- internal rotation
- re-employment of retired employees
- guaranteed placement of the disabled

Diversified safeguard mechanism

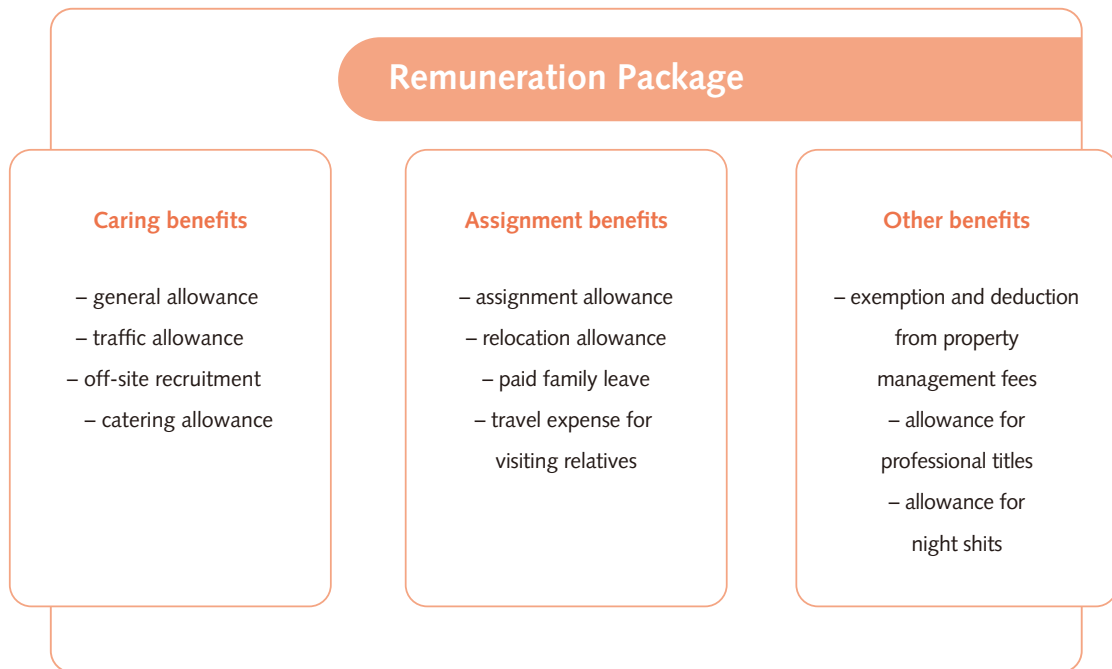


- strengthened cooperation between enterprises and relevant teaching and research institutions
- optimized the rank development system, training system and talent retention mechanism of in-service employees

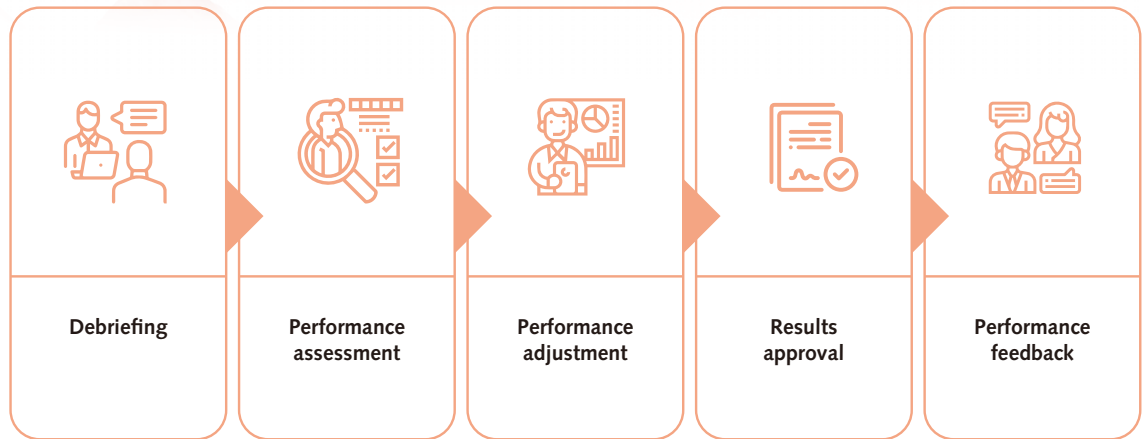
In 2022, the Group formulated the “Standardization Workbook (《標準化工作手冊》)” to comprehensively standardize the recruitment process. Through popularizing the recruitment principles and system requirements to all employees of the Group through the Standardization Workbook, the Group unified the recruitment operation process and improved the recruitment efficiency. The Group also provided training on and explained the interview methods and the interviewer’s behavioral requirements, standardized the interview process, and paid attention to the feelings of candidates throughout the interview process.

4.1.2 Remuneration System

The Group continues to optimize the remuneration composition and continuously improve the remuneration and welfare system. In 2022, in order to further clarify the employee welfare standards and welfare items, the “Measures for Management of Employee Welfare (《員工福利管理辦法》)” applicable to all employees of the Group was revised to fully protect fairness. On the basis of providing social insurance & housing fund, the Group continues to enrich welfare programs to inspire the enthusiasm of employees.



The Group is committed to providing competitive remuneration for employees, ensuring that employees' income is closely tied to employees' personal performance and the Company's performance, and boosting employees' motivation. The Group optimizes performance management through measures such as employee performance evaluation and performance feedback when necessary and taking into consideration of the business practice, and encourages managers to provide performance coaching to employees to help their growth. During the performance appraisal, the Group clarifies the performance appraisal process and appraisal methods, and helps employees further enhance their work ability using the outline of the performance feedback interview and the form of performance communication record.



Performance Appraisal Procedure

The Group has also formulated relevant equity incentive plans for management to link managers' management capability with their performance to achieve long-term effective management and sustainable development of the enterprise. Since May 2018, the Group has adopted its share award scheme to motivate incumbent employees who have been determined by the Board to have made significant contributions to the Group's objectives by granting restricted shares, and to spur them on to achieve better performance.

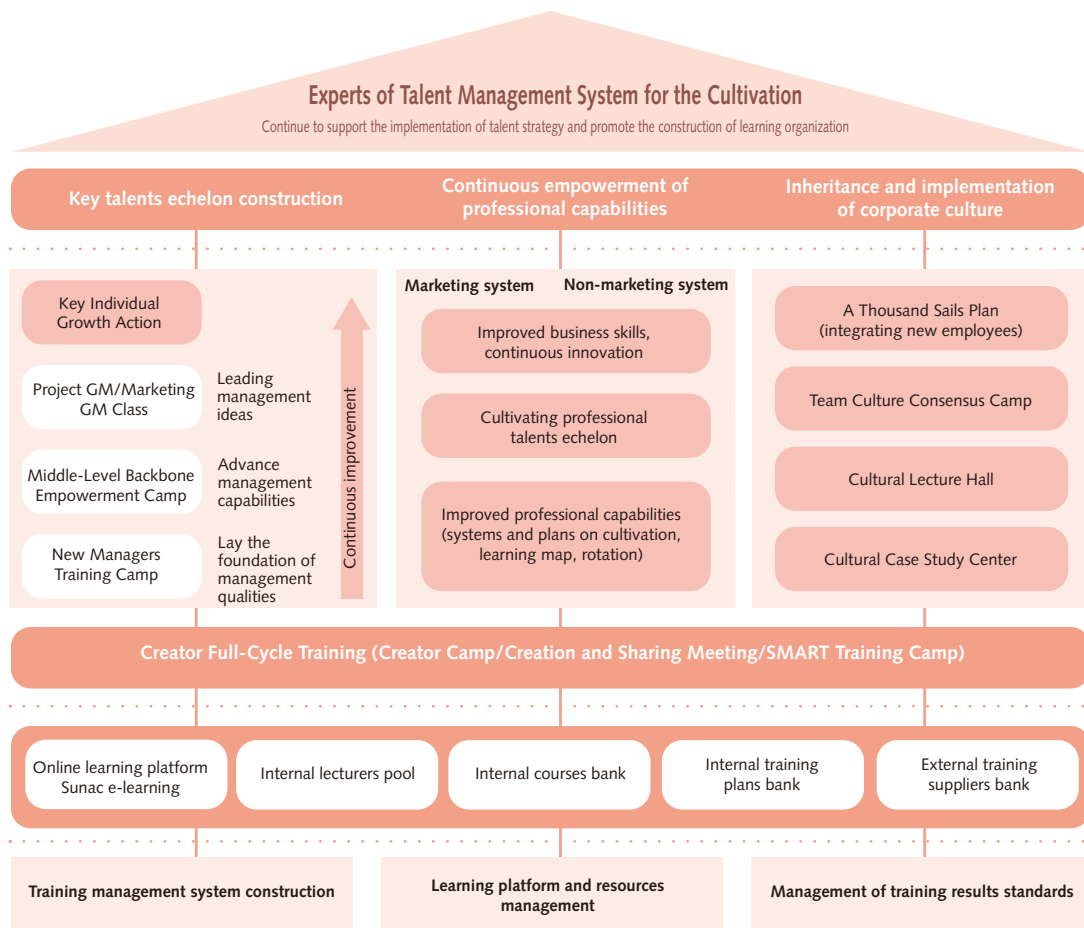
4.2 Talent Cultivation

The Group attaches great importance to the training and development of employees, takes "turning Sunac into a learning organization that continuously cultivates talents, and the cradle of cultivating lifelong learners" as its mission, and manages on the principles of "production on demand, business orientation, voluntary learning, advanced growth, and lifelong learning", creates opportunities for employees' personal growth, study and development, helping employees improve their professional skills and professional knowledge and creating an organizational system of continuous learning and continuous progress while helping each employee realize his or her value.

4.2.1 Training System

The Group has established an all-around and systematic talent training system to provide employees with a platform for learning and development. In 2022, relying on the “Management Measures for Training” (《培訓管理辦法》), the “Management Measures of Sunac China for Internal Lecturers” (《融創中國內部講師管理辦法》) and the “Management Measures of Sunac China for Internal Course Evaluation” (《融創中國內部課程評審管理辦法》), the Group clarified the orientation and requirements for talent cultivation in the new stage, encouraged the development of internal courses, the certification of lecturers and the active introduction of external training resources, enhanced the practicality and richness of learning resources, and paid attention to the feedback of employees’ participation in training and the effectiveness of training. In 2022, the Group’s staff training coverage rate was 100%.

Leveraged on the talent development organizations established at the Group’s headquarters and each region, the Group provides a variety of training contents for employees of different ranks, different professionals and different key groups. In 2022, the Group focused on an operation training system with three training directions – “key talents echelon construction, continuous empowerment of professional capabilities, and inheritance and implementation of corporate culture”, and provided learning and development opportunities for employees at all levels to match the work needs and personal growth needs in different scenarios. Subsequently, the Group will continue to improve the operation and management norms and requirements of the training system.



General View on the Training System

In 2022, in terms of training projects, the Group carried out training projects in different directions in accordance with the training system plan, and carried out capacity improvement projects in different dimensions for specific talent groups.

2022 Talent Training Projects

| Training direction | Projects for talent training |
|---|--|
| Key talents echelon construction | Project General Managers/Marketing General Managers Class, New Managers Training Camp, Creator Training System, etc. |
| Continuous empowerment of professional capabilities | Professional Empowerment for Marketing System, Special Series of Training on Delivery, Ingenuity Club, etc. |
| Inheritance and implementation of corporate culture | Engineer Culture Festival, A Thousand Sails Plan, Cultural Publicity Month, Champion Club, etc. |

Case: The 2nd Engineer Culture Festival

In order to encourage every engineer of Sunac to inherit the quality culture and stick to the craftsman spirit, the Group continued to create a cultural atmosphere of “commitment is responsibility, quality is faith”. Since 2021, the Group has set September as the Engineer Culture Month and 26 September as the Engineer Culture Festival, and the 2nd Engineer Culture Festival was successfully held on 26 September 2022.

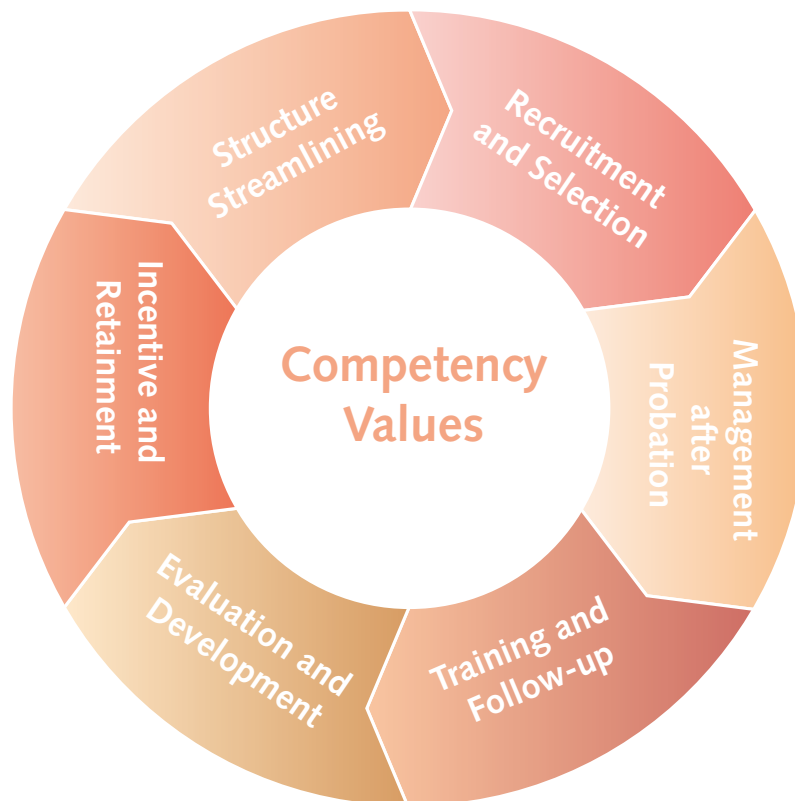
The 2nd Engineer Culture Festival was guided by five characteristics, i.e. “Integrity, Professionalism, Responsibility, Tenacity and Pragmatism”, and encouraged every engineer of Sunac to fulfill his professional ethics, stick to the product doctrine, carefully construct each project and continuously deliver better new products. During the 2nd Engineer Cultural Festival, Sunac engineers from more than 100 cities across the country solemnly swore and undertook that they would not forget their original intentions, and would bear in mind their mission, be brave in taking responsibility, strive for perfection, build every product well, and consolidate the quality cornerstone of Sunac products. At the same time, the outstanding engineers and engineering teams from all regions were also warmly commended at the 2nd Engineer Cultural Festival, further promoting the inheritance and development of Sunac’s craftsman spirit.



4.2.2 Promotion Channels

The Group fully protects that each employee enjoys equal promotion opportunities, continues to standardize and optimize employee promotion procedures, and formulates system documents such as the “Management Measures for Individual Performance of Sunac Group (《融創集團個人績效管理辦法》)” and the “Management Measures for Employee Promotion (《員工晉升管理辦法》)” to provide systemic and institutional support for employees’ career development. The Group establishes a multi-directional and three-dimensional appraisal system to make comprehensive assessments in terms of the employees’ performance, personal ability, up-to-standard performance, job matching and cultural recognition, regularly gives promotion to employees who have performed well and met the requirements of the position to which they are promoted. In addition, in order to flexibly combine the promotion mechanism with daily operations, the Group also constantly pays attention to employees who have outstanding abilities and satisfy the needs of job development, and promotes such employees irregularly to further increase the promotion channels of employees.

The Group has always placed great importance on the retention and promotion of internal employees. As a result, most of the management is from internal selection. The Group turns itself to a learning organization by clarifying mechanisms and methods such as career development channels, so that all partners who have joined the Group can grow together with the Company. Through closed-loop management from job positioning to incentives, a mechanism that allows employees room for continuous growth is formed.



Competency Values

4.3 Employee Care

The Group advocates work-life balance, is committed to creating a pleasant working atmosphere, and provides employees with a full range of practical protection, attaches importance to employee communication, actively builds employee communication channels, meets the needs of employees to the greatest extent, and enhances employees' sense of belonging and workplace happiness.

4.3.1 Welfare Security

In 2022, the Group complied with the "Trade Union Law of the People's Republic of China (《中華人民共和國工會法》)", the "Articles of Association of Trade Unions of China (《中國工會章程》)" and the "Measures for Budget Administration of Trade Union (《工會預算管理辦法》)", revised the implementation rules for management of expenditures and revenues of Trade Union of subsidiaries and improved the employee welfare system.

The Group attaches great importance to the care of employee's family. In 2018, the Group established an Employee Mutual Aid Association, aiming at helping the families of employees whose lives are difficult due to serious illness and medical treatment and accidents. As of 31 December 2022, the Employee Mutual Aid Association handed out a total of RMB5,924,500 in mutual aid funds to help 227 employees. In 2022, the Group also held an employee family day activity to organize employees' families to enter the green mountains and green waters and deepen communication and mutual understanding among employees. In addition, the Group also provides trade union benefits to employees on traditional festivals such as Spring Festival, Dragon Boat Festival and Mid-Autumn Festival, improving well-being of employees.

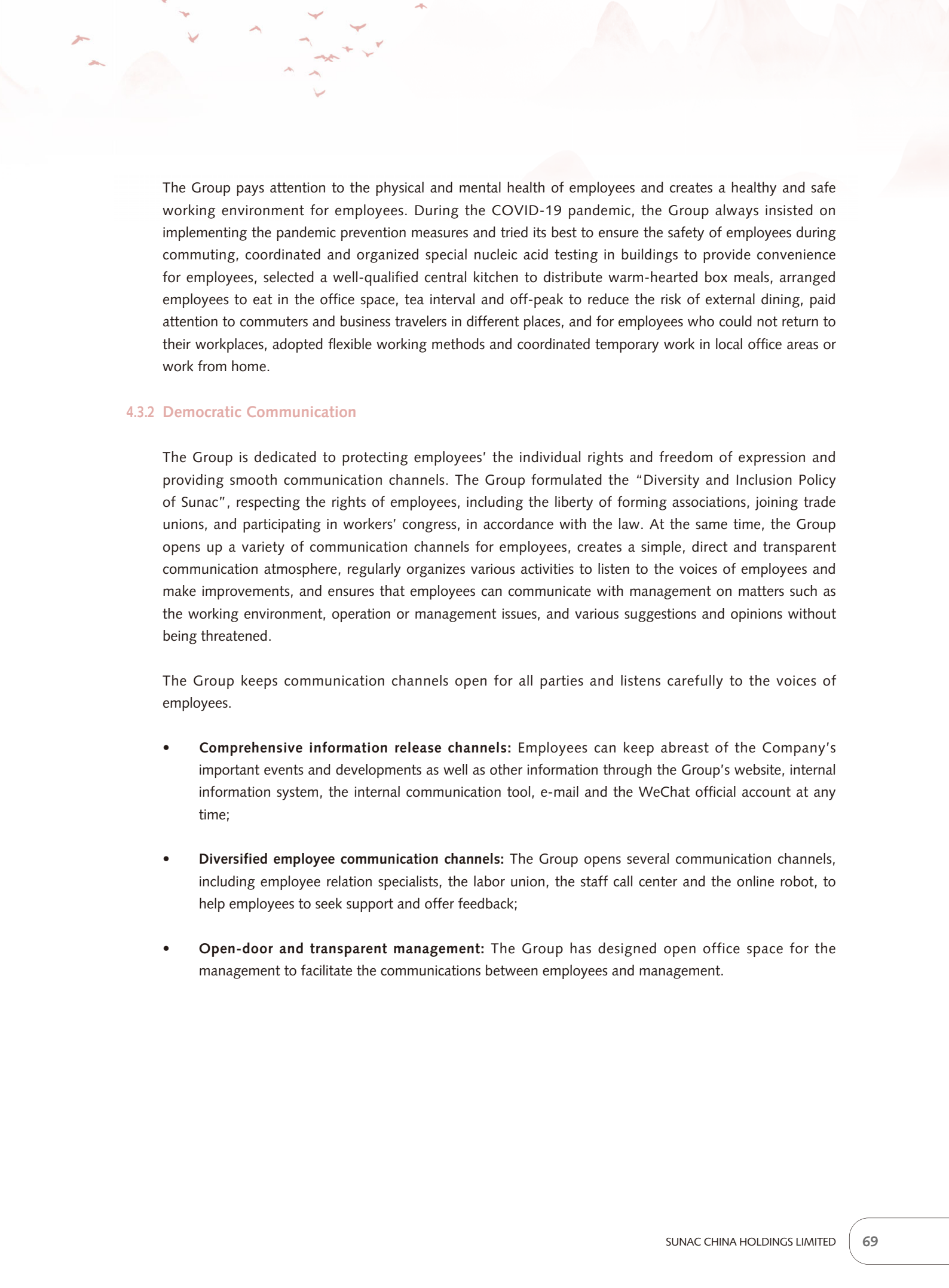
Case: Family Day Activity for the Employees of Central China Region

On Children's Day in 2022, the Central China Region organized an employee family day activity in Wuhan, and more than 100 families attended the activity. Activities included hiking, fun games and barbecue, and parents and children completed various tasks and challenges together. The activity process was relaxing and lively, by which the team cohesion and execution capabilities have been enhanced.



Pictures of Family Day Activity

The Group attaches great importance to the care of female employees. On Women's Day, the Group organizes Women's Day activities and distributes Women's Day gifts to female colleagues. In order to ensure life-work balance for female employees, those in the "three periods" (pregnancy, childbirth and lactation periods) have privileges over parking space at the workplace, and 80% of the regional platforms and urban platforms are equipped with mother and baby rooms in which refrigerators, disinfection machines and so on can be found.



The Group pays attention to the physical and mental health of employees and creates a healthy and safe working environment for employees. During the COVID-19 pandemic, the Group always insisted on implementing the pandemic prevention measures and tried its best to ensure the safety of employees during commuting, coordinated and organized special nucleic acid testing in buildings to provide convenience for employees, selected a well-qualified central kitchen to distribute warm-hearted box meals, arranged employees to eat in the office space, tea interval and off-peak to reduce the risk of external dining, paid attention to commuters and business travelers in different places, and for employees who could not return to their workplaces, adopted flexible working methods and coordinated temporary work in local office areas or work from home.

4.3.2 Democratic Communication

The Group is dedicated to protecting employees' the individual rights and freedom of expression and providing smooth communication channels. The Group formulated the "Diversity and Inclusion Policy of Sunac", respecting the rights of employees, including the liberty of forming associations, joining trade unions, and participating in workers' congress, in accordance with the law. At the same time, the Group opens up a variety of communication channels for employees, creates a simple, direct and transparent communication atmosphere, regularly organizes various activities to listen to the voices of employees and make improvements, and ensures that employees can communicate with management on matters such as the working environment, operation or management issues, and various suggestions and opinions without being threatened.

The Group keeps communication channels open for all parties and listens carefully to the voices of employees.

- **Comprehensive information release channels:** Employees can keep abreast of the Company's important events and developments as well as other information through the Group's website, internal information system, the internal communication tool, e-mail and the WeChat official account at any time;
- **Diversified employee communication channels:** The Group opens several communication channels, including employee relation specialists, the labor union, the staff call center and the online robot, to help employees to seek support and offer feedback;
- **Open-door and transparent management:** The Group has designed open office space for the management to facilitate the communications between employees and management.



Mission

**Undertakings
and Caring for the
Community**



5 Mission Undertakings and Caring for the Community

Adhering to the development concept of “a better life and social citizen”, the Group actively participates in urban and rural construction and social welfare undertakings, dedicates to establishing a long-term public welfare charity mechanism, fulfills social commitments, assumes social responsibility, promotes social progress, enhances human well-being, and strives unremittingly to create a better home and the happiness of human civilization, while enhancing corporate influence and comprehensive value.

5.1 Urban Development

The Group abides by the logic and laws of urban development, combines the business models with the needs of urban development and construction around the overall development goals of the cities, and provides optimal solutions for urban construction and operation while meeting the needs of urban residents for a better life. The Group fully fulfills its social responsibilities, actively promotes the improvement of urban quality, and promotes the organic growth of people, buildings and cities, accelerates the construction of residential environment, social environment and ecological environment protection projects, and carries out various services such as affordable housing construction, brownfield land development, integrated land utilization and urban renewal.

| Type of Projects | Name of Project Examples |
|---|--|
| Affordable housing construction | Xi'an Hanwen Ju'anli |
| Brownfield development/ urban rejuvenation/ urban renewal | Sunac Wuhan 1890 |
| Integrated land utilization | Sunac Hopsca Center • One Sea Park, Culture & Tourism Projects |
| Urban renewal | Shaoxing Huangjiu Town |

Case: Construction of Affordable Housing-Xi'an Hanwen Ju'anli

In order to continuously improve the management standard of affordable housing construction and make it “possible for residents to have their own houses”, the Group continues to carry out the construction of affordable housing. Xi'an Hanwen Ju'anli Project provides a brand-new home for 960 families. In the architectural design of Hanwen Ju'anli, we carefully studied the characteristics of the plot where the project is located, designed the north-south transparent apartment, improve the window-wall ratio to enhance the lighting, realized the effect of energy saving and consumption reduction on the basis of improving the living comfort, and used the high-quality building materials of Low-E glass to improve the building quality. In the future, the Group will continue to build every project with ingenuity to help people's living life continue to improve.



Xi'an Hanwen Ju'anli

Case: Brownfield Development/Urban Rejuvenation/Urban Renewal – Sunac Wuhan 1890 (Original Hanyang Iron and Steel Plant)

With the rapid progress of urbanization, the demand for urban construction land and residents' demands for living environmental quality have greatly increased, so the redevelopment and utilization of land with existing or potential environmental pollution problems, such as former industrial and commercial land, have become an important way for urban sustainable development. The Group attaches great importance to the restoration of ecosystems and actively participates in the development and utilization of abandoned land. Sunac Wuhan 1890 was originally Hanyang Iron and Steel Plant, which was mainly used for iron and steel smelting and railway rail manufacturing. Due to long-term industrial production activities, Hanyang Iron and Steel Plant caused different degrees of pollution to its surrounding environment, hence the restoration and reuse of brownfield were imminent. In order to avoid the adverse impact on the city's economy, society and environment caused by the brownfield, the Group responded to the call of brownfield governance to renovate Hanyang Iron and Steel Plant as a large-scale comprehensive project integrating historical memorial museum, public management services, commerce and residence according to the investigation and evaluation of land environmental quality.



Sunac Wuhan 1890

Case: Integrated Utilization of Land – Sunac Hopsca Center • One Sea Park

Sunac Hopsca Center • One Sea Park is a TOD project built by the Group in Qingdao, with a total construction area of approximately 7 million square meters. The project takes “industrial engine, quality supporting and green space” as the core elements, and creates a future urban vitality domain in which the two sides of a river and three districts are integrated. The project consists of three sectors, i.e. healthy and livable vitality sector (residential area), shared leisure vitality sector (Ocean Expo Center and Sports Center) and core vitality sector of industrial city (commercial area), taking into account the composite property types of medical care, education, commerce, culture and sports, residence, etc., which can not only realize efficient land use, reduce traffic pressure, help urban environmental protection, but also focus on improving commercial and economic benefits.



Sunac Hopsca Center • One Sea Park

Case: Urban Renewal – Shaoxing Huangjiu Town

The beautiful advancement of the city marks the enlargement of the demand for life. As a pioneer in the human settlement industry, the Group not only makes the urban landscape continue to be refreshed with innovative and high-quality products, but also strengthens the protection of history and culture and shapes the city's characteristic style. At the same time, the Group puts green and low-carbon concepts and elements into the process of urban renewal, promoting the green transformation of existing buildings and improving the energy efficiency of buildings. The Huangjiu Town Project is an on-site reconstruction on the basis of Shaoxing Rice Wine Brewery, creating a comprehensive urban renewal project that integrates property types such as commercial street with Minguo style (民國風情), smart parking building, TOD business, tourist service center, show ground (theatre), high-end hotel, talent apartment and residence. During the construction process, it not only fully retains the historical and regional features of the original ancient buildings, but also uses various technical means such as assembly, sponge city and green building to optimize energy use and give the project vitality in the new era. Customers can not only realize the innovative cultural consumption experience in the fresh contemporary commercial space, but also enter the history of the ancient town to taste the Jiangnan flavor in memory, where history and contemporary, trend and elegance, classics and fashion are freely intertwined and collided, unfolding a unique and vivid Jiangnan picture scroll.



Shaoxing Huangjiu Town



5.2 Cultural Construction

Cultural construction is an important strategic resource and valuable material and spiritual wealth of enterprises, and also plays an essential part in improving the overall quality and core competitiveness. In order to strengthen the cohesion, centripetal force and competitiveness of enterprises, the Group vigorously promotes the construction of urban culture & tourism, inherits the spirit of Chinese culture, carries out the protection of ancient buildings, and promotes the interaction and integration of culture, economy and society.

5.2.1 Urban Culture and Tourism

The city is the carrier of culture, and culture is the foundation of the development of the city. In order to better realize the integration of culture and life, the Group has laid out the urban culture & tourism industry from a high starting point. By the end of 2022, the Group has had the following in management: 14 culture & tourism cities, 6 tourist resorts, 20 Bonski Resorts, and nearly 150 hotels, with its operational management projects covering core cities and high-quality destinations across China. The Group continues to work to create a comfortable, safe and convenient living environment as well as prosperous cities.

As one of the leading culture & tourism enterprises in China, the Group continues to provide high-quality joyful services to Chinese families and enhance the urban entertainment experience. The Group has formulated a special service plan for Sunac Park, and consolidated the characteristic services by means of training, assessment and inspection etc.

Case: Wushang Dream Time Mall WS Bonski Resort

In order to create a four-season high-frequency skiing scene in Wuhan, and let more people have the opportunities to try and participate in high-frequency ice and snow sports, on 9 November 2022, Wushang Dream Time Mall WS Bonski Resort, the first urban center indoor ski resort in Central China built by Bonski, officially welcomed guests and opened the four-season ice and snow era in Wuhan. WS Bonski Resort has an indoor ski resort, a snow amusement hall, a theme real ice rink, new retail and other main property types, bringing a joyful experience that integrates a variety of leisure and entertainment scenes such as ice and snow sports, amusement and catering to Wuhan and surrounding citizens.

WS Bonski Resort has completely introduced the complete business system of Bonski Training Center, events, camps, membership services, etc., providing customers with a series of complete skiing content services including systematic advanced skiing courses, professional skiing events, "Fridge Baby Youth Camp(冰雪寶寶少年營)" theme camps, and rich multi-community activities, presenting a feast of ice and snow sports for urban skiers, promoting the popularization of ice and snow sports for all people and increasing the happiness of urban life.



WS Bonski Resort

5.2.2 Cultural Heritage

Urban culture is the lifestyle formed in the process of the birth and evolution of a city and the historical imprint left in different stages. Urban culture is the fundamental vitality of the city, which determines the value and quality of the city and interprets its characteristics. Adhering to the concept of "keeping the old as it is, making the old new", the Group always responds to the needs of the times, coexists with the city in the same frequency, actively contributes to the protection and restoration of cultural relics, continues the urban culture, and promotes the protection and inheritance of history and culture.

Case: Shijiazhuang Zhengtai Hotel Renovation Project

According to the principle of restoration of cultural relics, the Group participated in the planning, renovation and construction of Shijiazhuang Zhengtai Hotel, and protected and restored the project to the greatest extent, so that history could reappear in the world with a more complete look. “Zhengtai Hotel comes first, then Shijiazhuang”. Zhengtai Hotel is located in the core of the central business district of Shijiazhuang, connecting people and the city, connecting the past and the future. Zhengtai Hotel is not only the inheritance place of the continuation of the urban context, but also the feelings of millions of people in Shijiazhuang.

On the premise of not changing the original architectural style, the Group repaired the facade and the roof of the building according to historical photos and current survey information, and at the same time, carried out necessary structural reinforcement on the building according to the survey conclusion of cultural relics, eliminating potential safety hazards and laying a foundation for subsequent functional renewal and reuse. At the same time, the Group added an exhibition space open to the public to show the revolution and construction history of Shijiazhuang, making the cultural relics buildings readable and accessible, and meeting the needs of citizens' spiritual civilization construction and urban tourism development. After nearly 8 months' careful renovation, Shijiazhuang Zhengtai Hotel has been officially opened to the public. In the future, Shijiazhuang Zhengtai Hotel will be built into an urban commemorative comprehensive activity space integrating special catering, leisure and entertainment, tourism services and other functions, and become a “new business card” for Shijiazhuang's urban development.



Renovated Shijiazhuang Zhengtai Hotel

5.3 Rewarding the Society

While providing customers with high-quality products and better lives, the Group always keeps in mind to give back to the society. The Group insists on the inheritance of enterprise culture. Adhering to the public welfare concept of “focusing on the questions of times, practicing social responsibility and creating long-term value for the whole society”, the Group has established a public welfare foundation and a long-term public welfare charity mechanism to promote the innovative development of public welfare undertakings and the creative transformation and development of China’s excellent traditional culture. As of the end of 2022, the Group had donated more than RMB3.1 billion in total for rural revitalization, education and intellectual support, social care, protection of ancient buildings, and anti-epidemic and disaster relief, etc.

5.3.1 Rural Revitalization

The Group insists on taking the industrial ecologicalization and ecological industrialization as the guiding ideology to promote rural revitalization, and has always been committed to promoting rural green development and sustained income increase. As of the end of 2022, the Group had invested RMB310 million in total in rural revitalization.

Case: 3060 Environmental Protection Economic Forest Project

The Group cooperated with China Siyuan Foundation to launch the “3060 Environmental Protection Economic Forest Project”, planting the environmental protection economic forest-seabuckthorn in Siziwang Banner, Ulanqab, Inner Mongolia by aiming at creating a green barrier and promoting rural revitalization, so as to help control desertification and help carbon neutrality. By being committed to supporting the research and development of seabuckthorn series products, the annual yield per mu of seabuckthorn fruit exceeded RMB3,000, so as to achieve the visions of driving local herders to continuously increase their income and realizing rural revitalization.

5.3.2 Education and Intellectual Support

The Group will always rely on its own ability to make contributions to the development of national education and continue to create value for the society. The Group regards education and intellectual support as an important direction of corporate social responsibility, through the “Saplings Charity Program”, helps primary and secondary schools in areas with underdeveloped education and balances urban and rural education, at the same time, it has established an education development fund with universities to support the high-quality development of education.

Since 2015, the Group has been pairing up to help 104 schools in 20 provinces across the country, and donated 1 primary school in Daliangshan. In 2022, the Group continued to carry out the “Saplings Charity Program” to support the educational development of children in underdeveloped areas in a deep, long-term and sustainable manner through the construction of facilities, donation of love book houses, the launch of Saplings Charity visits and summer camp activities. In addition, on the basis of the “Saplings Charity Program”, the Group also innovatively launched the “Reading Together ∞” book-enjoying monthly public welfare action, promoting the reading interest of the whole people through various forms of activities, and enriching people’s spiritual and cultural construction while helping rural revitalization, including the activity of “Exchanging Books For Vegetables” to promote the sales of unsalable farm products, and the activity of “Mobile Book Cart (流動圖書車)” to send books and periodicals resources and reading activities to remote villages to help revitalize culture.



“Mobile Book Cart” Activity

5.3.3 Inclusive Public Welfare

The Group has always adhered to the concept of inclusive public welfare, established a volunteer alliance, and provided a professional and convenient platform for employees, property owners and caring people in the society to participate in public welfare activities and social volunteer services by integrating public welfare projects and resources and taking mobile internet innovation, so as to gather public forces and jointly promote the development of public welfare and charity. The Group has launched the “All Staff in Public Welfare Plan” and provided paid “Public Welfare Leave” to encourage all members of the Group to actively participate in public welfare activities and continued to support public welfare in a long-term, in-depth and powerful manner, which leads to the formation of the public welfare culture and environment. It joins hands with its staff to promote the long-term development of public welfare undertakings. In 2022, the Group launched 142 online and offline public welfare activities across 24 cities of 10 provinces (municipalities), with more than 418,000 times of participation by participants consisting of our employees, property owners and citizens, combining the love force of all parties, allowing more and more people to “do public welfare at will” and do public welfare anytime and anywhere.

Case: Sunac Commercial “Green Little Guardian” Children’s Public Welfare Activity

Sunac Commercial cooperated with China Siyuan Foundation to jointly launch the “Green Little Guardian” children’s public welfare activity, recruiting young volunteers with the theme of “Green Voice, Please Listen To Me”, conducting one-minute environmental protection publicity in the offline shopping malls such as Wuxi and Xishuangbanna Sunac Malls, appealing to the public to care for the environment and pay attention to environmental protection in combination with their own life practices such as garbage sorting, energy saving and emission reduction, low carbon and environmental protection and their understanding and cognition of sustainable consumption, and raising funds for the “3060 Carbon Neutral Forest Adoption Plan Project” of China Siyuan Foundation, so as to jointly support carbon neutrality.



Green Little Guardian — Wuxi

Key Performance Table

Environmental Performance Table for 2022

| Indicators | Unit | Real Estate Group and Culture Group | Service Group | Culture & Tourism Group | |
|---|--------------------------------|--|------------------|----------------------------|-------------------|
| Total greenhouse gas (GHG) ¹ emissions | Tons | 32,993.56 | 316,630.65 | 320,854.92 | |
| Scope 1 | Tons | 2,866.90 | 1,019.93 | 26,566.63 | |
| Scope 2 | Tons | 30,126.66 | 315,610.72 | 294,288.29 | |
| GHG emission intensity | Tons/total number of employees | 2.90 | / | 48.35 | |
| | Tons/sq.m. ⁵ | / | 0.001 | / | |
| Total non-hazardous waste ² | Tons | 3,160.30 | 3,154.46 | 8,347.80 | |
| Non-hazardous waste intensity | Kg/total number of employees | 277.80 | / | 1,257.96 | |
| | Kg/sq.m. | / | 0.013 | / | |
| Total hazardous waste ³ | Tons | 9.75 | 2.52 | 8.21 | |
| Hazardous waste intensity | Kg/total number of employees | 0.86 | / | 1.24 | |
| | Kg/sq.m. | / | 0.000 | / | |
| Water consumption | Tons | 1,476,899.06 | 12,496,404.66 | 9,139,016.19 | |
| Water consumption intensity | Tons/total number of employees | 129.83 | / | 1,377.19 | |
| | Tons/sq.m. | / | 0.051 | / | |
| Total comprehensive energy consumption ⁴ | MWh | 56,802.02 | 525,263.91 | 573,977.62 | |
| Direct energy consumption | MWh | 12,543.67 | 4,718.30 | 130,872.00 | |
| | <i>Gasoline</i> | <i>MWh</i> | <i>6,059.07</i> | <i>875.45</i> | <i>946.97</i> |
| | <i>Diesel</i> | <i>MWh</i> | <i>102.86</i> | <i>545.96</i> | <i>1,270.08</i> |
| | <i>LPG</i> | <i>MWh</i> | <i>1,364.20</i> | <i>624.75</i> | <i>/</i> |
| | <i>Natural gas</i> | <i>MWh</i> | <i>5,017.54</i> | <i>2,672.15</i> | <i>128,654.95</i> |
| Indirect energy consumption | MWh | 44,258.35 | 520,545.61 | 443,105.62 | |
| | <i>Electricity</i> | <i>MWh</i> | <i>44,258.35</i> | <i>520,545.61</i> | <i>417,326.35</i> |
| | <i>Steam</i> | <i>MWh</i> | <i>/</i> | <i>/</i> | <i>9,489.13</i> |
| | <i>Hot water</i> | <i>MWh</i> | <i>/</i> | <i>/</i> | <i>1,064.87</i> |
| | <i>Heat</i> | <i>MWh</i> | <i>/</i> | <i>/</i> | <i>15,225.27</i> |
| Comprehensive energy consumption intensity | MWh/total number of employees | 4.99 | / | 86.49 | |
| | MWh/sq.m. | / | 0.002 | / | |

1 The Group's GHG inventory mainly includes carbon dioxide, methane and nitrous oxide. GHG emissions data is presented in carbon dioxide equivalent and is calculated in accordance with the "2006 IPCC Guidelines for National Greenhouse Gas Inventories (Revised in 2019) (《IPCC 2006 國家溫室氣體清單指南 2019 修訂版》)", the "Chinese Regional Power Grid Baseline Emission Factors for 2012 (《2012 年中國區域電網基準線排放因子》)" and the "Accounting Methods and Reporting Guidelines for the GHG Emissions of Other Industrial Enterprises (《其他工業企業溫室氣體排放核算方法與報告指南》)".

2 The main types of non-hazardous wastes generated by the Group are office waste, kitchen waste, office paper, etc.

3 The main types of hazardous wastes generated by the Group are electronic waste, used toner cartridges, used ink cartridges, etc.

4 Total comprehensive energy consumption is derived from the translation of direct and indirect energy consumption based on the "General Principles for Calculation of the Comprehensive Energy Consumption (《綜合能耗計算通則》)" (GB/T2589-2020).

5 The GFA under management of the Service Group as at 31 December 2022.

Social Performance Table for 2022

| Name of Indicators | Unit | 2022 |
|--|--------|--------|
| Total number of employees | Person | 45,198 |
| Gender | | |
| Male | Person | 26,475 |
| Female | Person | 18,723 |
| Age group | | |
| 30 or below | Person | 17,220 |
| 31 to 50 | Person | 25,636 |
| Above 50 | Person | 2,342 |
| Work regions | | |
| Mainland China | Person | 45,197 |
| Hong Kong, Macao and Taiwan, of the PRC | Person | 1 |
| Business system | | |
| The Real Estate Group | Person | 10,845 |
| The Service Group | Person | 27,186 |
| The Culture & Tourism Group | Person | 6,636 |
| The Culture Group | Person | 531 |
| Rank | | |
| Upper-level managers | Person | 1,221 |
| Mid-level managers | Person | 15,235 |
| Primary-level employees | Person | 28,742 |
| Total number of employee turnover | Person | 29,800 |
| Gender | | |
| Male | Person | 18,027 |
| Female | Person | 11,773 |
| Age group | | |
| 30 or below | Person | 15,429 |
| 31 to 50 | Person | 13,223 |
| Above 50 | Person | 1,148 |
| Work regions | | |
| Mainland China | Person | 29,799 |
| Hong Kong, Macao and Taiwan, of the PRC | Person | 1 |

| Name of Indicators | Unit | 2022 |
|---|--------|-----------|
| Employee turnover rates | % | 39.73 |
| Gender | | |
| Male | % | 40.51 |
| Female | % | 38.61 |
| Age group | | |
| 30 or below | % | 47.26 |
| 31 to 50 | % | 34.03 |
| Above 50 | % | 32.89 |
| Work regions | | |
| Mainland China | % | 39.73 |
| Hong Kong, Macao and Taiwan, of the PRC | % | 50 |
| Percentage of employees trained | % | 100 |
| Gender | | |
| Male | % | 100 |
| Female | % | 100 |
| Rank | | |
| Upper-level managers | % | 100 |
| Mid-level managers | % | 100 |
| Primary-level employees | % | 100 |
| Total training hours | Hour | 2,681,498 |
| Average hours of employee training | Hour | 59.33 |
| Gender | | |
| Male | Hour | 56.85 |
| Female | Hour | 62.83 |
| Rank | | |
| Upper-level managers | Hour | 37.15 |
| Mid-level managers | Hour | 81.10 |
| Primary-level employees | Hour | 48.73 |
| Total number of suppliers | | 48,691 |
| Mainland China | | 48,573 |
| Hong Kong, Macao and Taiwan, of the PRC | | 42 |
| Overseas regions | | 76 |
| Social welfare donations | | |
| Number of participants | Person | 1,025 |
| Total time invested | Hour | 6,700 |

ESG Index

| Disclosure Metrics | | Responses |
|--|---|--|
| Category: Environmental | | |
| A1: Emissions | | |
| General Disclosure | | 2.4 Green Operation |
| A1.1 | The types of emissions and respective emissions data | Key Performance Table |
| A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) | Key Performance Table |
| A1.3 | Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) | Key Performance Table |
| A1.4 | Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility) | Key Performance Table |
| A1.5 | Description of emissions target(s) set and steps taken to achieve them | 2.4 Green Operation |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them | 2.4 Green Operation |
| A2: Use of Resources | | |
| General Disclosure | | 2.4 Green Operation |
| A2.1 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility) | Key Performance Table |
| A2.2 | Water consumption in total and intensity (e.g. per unit of production volume, per facility) | Key Performance Table |
| A2.3 | Description of energy use efficiency target(s) set and steps taken to achieve them | 2.4 Green Operation |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them | 2.4.3 Water Resource Management |
| A2.5 | Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced | Since there are very few packaging materials generated in the Group's operation, the key performance indicator A2.5 is therefore not disclosed |
| A3: The Environment and Natural Resources | | |
| General Disclosure | | 2.1 Green Concept |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them | 2.2 Green Design 2.3 Green Construction 2.4 Green Operation |
| A4: Climate Change | | |
| General Disclosure | | 2.5 Climate Change |
| A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them | 2.5 Climate Change |

| Disclosure Metrics | | Responses |
|--|--|---|
| Category: Social | | |
| Employment and Labour Practices | | |
| B1: Employment | | |
| General Disclosure | | 4.1 Talent Protection 4.2.2 Promotion Channels |
| B1.1 | Total workforce by gender, employment type (for example, full or part-time), age group and geographical region | 4.1.1 Equal Employment Key Performance Table |
| B1.2 | Employee turnover rate by gender, age group and geographical region | Key Performance Table |
| B2: Health and Safety | | |
| General Disclosure | | 3.2.1 Safety Management System |
| B2.1 | Number and rate of work-related fatalities occurred in each of the past three years including the reporting year | 3.2.1 Safety Management System |
| B2.2 | Lost days due to work injury | 3.2.1 Safety Management System |
| B2.3 | Description of occupational health and safety measures adopted, and how they are implemented and monitored | 3.2 Safety and Health 4.3.1 Welfare Security |
| B3: Development and Training | | |
| General Disclosure | | 4.2 Talent Cultivation |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management) | Key Performance Table |
| B3.2 | The average training hours completed per employee by gender and employee category | Key Performance Table |
| B4: Labour Standards | | |
| General Disclosure | | 4.1.1 Equal Employment |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour | 4.1.1 Equal Employment |
| B4.2 | Description of steps taken to eliminate such practices when discovered | 4.1.1 Equal Employment |
| Operating Practices | | |
| B5: Supply Chain Management | | |
| General Disclosure | | 3.4.1 Supplier Management |
| B5.1 | Number of suppliers by geographical region | Key Performance Table |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where practices are being implemented, and how they are implemented and monitored | 3.4.1 Supplier Management |
| B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored | 3.4.1 Supplier Management |
| B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored | 3.4.2 Green Procurement |

| Disclosure Metrics | | Responses |
|-----------------------------------|---|--|
| B6: Product Responsibility | | |
| General Disclosure | | 3.1.1 Quality Management 3.3 Customer-Centric Concept |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons | 3.1.1 Quality Management |
| B6.2 | Number of products and service related complaints received and how they are dealt with | 3.3.3 Customer Complaint Management |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights | 1.7.3 Intellectual Property Protection |
| B6.4 | Description of quality assurance process and recall procedures | 3.1.1 Quality Management |
| B6.5 | Description of consumer data protection and privacy policies, and how they are implemented and monitored | 3.3.2 Customer Privacy Protection |
| B7: Anti-corruption | | |
| General Disclosure | | 1.7.2 Integrity Operation |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases | 1.7.2 Integrity Operation |
| B7.2 | Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored | 1.7.2 Integrity Operation |
| B7.3 | Description of anti-corruption training provided to directors and staff | 1.7.2 Integrity Operation |
| Community | | |
| B8: Community Investment | | |
| General Disclosure | | 5.3 Rewarding the Society |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport) | 5.3 Rewarding the Society |
| B8.2 | Resources contributed (e.g. money or time) to the focus area | 5.3 Rewarding the Society Key Performance Table |

This report has been issued in both Chinese and English versions. If there is any conflict in this report between the Chinese version and the English version, the English version shall prevail.

Readers Feedback Form

Dear readers,

Thank you for reading this report. The Group sincerely looks forward to your valuable comments on this report, so as to help the Group further improve its work.

Multiple choice questions (please tick the appropriate box)

1. What is your identity?

- Government Investor Employee Customer Supplier/
Contractor Business partner
- Peer Community and public Media NGO Others
(please specify)

2. What do you think of the ESG performance of the Group?

- Excellent Good General Poor

3. How would you rate this report?

- Excellent Good General Poor

4. How would you rate the ESG information disclosed in this report?

- Excellent Good General Poor

5. How would you rate the structure of this report?

- Very reasonable Reasonable General Less reasonable

6. How would you rate the layout and design of this report?

- Excellent Good General Poor

7. Please feel free to share any expectations you may have in terms of the ESG of the Group.

The ESG Report is committed to responding to issues which key stakeholders consider important. For any doubt or advice on the ESG Report, you are welcome to contact the Group anytime through the following means:

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Email: esg@sunac.com.cn