

Second-Party Opinion

CIFI Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the CIFI Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – (i) Green Buildings, (ii) Clean Transportation, (iii) Energy Efficiency, (iv) Pollution Prevention and Control, (v) Sustainable Water Management, (vi) Climate Change Adaptation, and (vii) Renewable Energy – are aligned with those recognized by the Green Bond Principles 2018 and Green Loan Principles 2018. Sustainalytics considers that the eligible projects will reduce the environmental footprint of CIFI’s operations and lead to positive environmental impacts while advancing the UN Sustainable Development Goals (SDGs), specifically SDG 6, 7, 9, 11,12 and 13.



PROJECT EVALUATION / SELECTION CIFI will establish a dedicated ESG Working Group (“EWG”) comprised of senior representatives from the departments of Finance, Design and Architecture, Building Engineering, and Internal Audit and Risk Management to carry out the valuation and selection process. On at least an annual basis the EWG will evaluate existing and potential eligible assets to determine whether they meet the Framework criteria. CIFI’s ESG Committee, which includes representatives from senior management and the CEO, will provide final approval of all projects. This process is in line with market practice.



MANAGEMENT OF PROCEEDS CIFI’s Finance Team will track and manage the net proceeds using an internal register, including information on the type of funding transaction and the allocation of use of proceeds. Pending allocation, unallocated proceeds will be invested in short term time deposits or investments, or used to repay existing borrowings within the group in accordance with the Company’s liquidity guidelines. This process is in line with market practice.



REPORTING CIFI commits to report to investors annually on the allocation of proceeds on its website, and/or as part of Annual Report or Sustainability Reports. The (i) allocation report will include the aggregate amount allocated to various eligible green projects, the remaining balance of funds to be allocated and the type of investment they are being temporarily held in, and examples of the eligible green projects. Regarding the (ii) impact report, where feasible, CIFI has committed to disclose data on relevant metrics. This process is in line with market practice.

Evaluation date	April 10, 2020
Issuer Location	Shanghai, China

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Introduction

CIFI Holdings (Group) Co. Ltd. (“CIFI”, or the “Company”) is principally engaged in property development and property investment in the People’s Republic of China. The Group currently operates in nearly 80 cities in Mainland China, Hong Kong, Japan and Australia, with a total of nearly 450 development projects, servicing nearly 300,000 owners.

CIFI has developed the CIFI Green Finance Framework (the “Framework”) under which it intends to issue bonds, loans, or other financing structures and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that contribute to sustainable development, and promote the transition to a low carbon economy. The Framework defines eligibility criteria in seven areas:

1. Green Buildings
2. Clean Transportation
3. Energy Efficiency
4. Pollution Prevention and Control
5. Sustainable Water Management
6. Climate Change Adaptation
7. Renewable Energy

CIFI engaged Sustainalytics to review the CIFI Green Finance Framework, dated April 2020, and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP)¹ and the Green Loan Principles 2018 (GLP).² This Framework has been published in a separate document.³

As part of this engagement, Sustainalytics held conversations with various members of CIFI’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the CIFI’s Green Finance Framework. Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics’ opinion of the CIFI Green Finance Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Green Loan Principles are administered by the Loan Market Association and are available at: https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMA_Green_Loan_Principles_Booklet-220318.pdf

³ The CIFI Green Finance Framework is available on CIFI Holding’s website at: <https://www.cifi.com.cn/en/invest/index.html>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the CIFI Green Finance Framework

Sustainalytics is of the opinion that the CIFI Green Finance Framework aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of CIFI's Green Finance Framework:

- Use of Proceeds:
 - The eligible categories – (i) Green Buildings, (ii) Clean Transportation, (iii) Energy Efficiency, (iv) Pollution Prevention and Control, (v) Sustainable Water Management, (vi) Climate Change Adaptation, and (vii) Renewable Energy – are aligned with those recognized by the GBP and GLP.
 - Under the Framework, CIFI intends to issue Green Financing Transactions (“GFT”) that deliver positive environmental impacts. These can include bonds, loans, or other financing structures, as defined in the CIFI Green Finance Framework.
 - While CIFI does not indicate a look-back period for refinancing previous investments in the Framework, CIFI has confirmed that the Company intends to prioritize its most current projects for refinancing activities.
 - Under the category of Green Buildings, the eligibility criteria refers to credible third-party standards including minimum certifications such as LEED (Gold or above), BEAM Plus (Gold or above), BREEAM (Excellent or above), and Chinese Green Building Evaluation Label (2 stars or above). Sustainalytics considers these certification schemes are credible and robust, and ensures proper integration of environmental considerations during all stages of a building's life cycle. (Please see Appendix 1 for an assessment of certification schemes.) In addition, CIFI set a minimum threshold of 10% (based on third-party assessment) for energy efficiency improvements in new and existing buildings.
 - With respect to Pollution Prevention and Control, CIFI intends to invest in projects that reduce the amount of non-recycled materials in construction projects by using building material that is derived from recycled content, low-carbon emissions, or certified by an approved local certification body.⁴ As part of the same category, CIFI intends to invest in projects related to waste prevention, treatment, management, recycling and municipal waste to energy that follows the waste hierarchy in the region. Following the waste hierarchy, Sustainalytics encourages CIFI to ensure that majority of recyclables are separated before incineration activities. Sustainalytics notes that CIFI Framework excludes landfill operations and highlights the importance of the waste hierarchy in advancing a circular economy.
 - Under the use of proceeds category of Climate Change Adaptation, CIFI intends to make investments in the design, construction, maintenance and upgrades of buildings/assets for adapting to more frequent and extreme weather events. While Sustainalytics notes that CIFI has not undergone an assessment that indicates the need for infrastructure in the regions where projects are to be financed or refinanced, CIFI has confirmed that the assessment will be included in the project appraisal process. Sustainalytics encourages CIFI to provide detailed disclosure on the need and positive impact of intended infrastructure projects.
 - Sustainalytics notes that CIFI limits its renewable energy investments to solar photovoltaic energy systems.
- Project Evaluation and Selection:
 - CIFI's project evaluation and selection will be managed by an ESG Working Group (“EWG”). This group consists of senior representatives from various departments including Finance, Design and Architecture, Building Engineering, and Internal Audit and Risk Management. The EWG will meet at least every 12 months to discuss and select eligible green projects according to the Eligible Green Projects outlined in this Framework. The shortlisted projects will then be presented to ESG Committee, which includes representatives from senior management and the CEO, for approval. Sustainalytics views this process as aligned with market practice.

⁴ Approved local certification bodies include SEE Conservation, available at: (<http://see.org.cn/Conservation/Home>), CURA, available at: (<http://www.cura.com.cn/>) and Elite Habitat Development Foundation, available at: (<http://www.elitef.org.cn/html/aboutus.aspx>)

- Management of Proceeds:
 - The net proceeds from each GFT issued will be managed by CIFI's finance team and the proceeds of each GFT will be deposited in the general funding accounts. CIFI will maintain a register to track the use of proceeds for each GFT. If allocated projects no longer meet the eligibility criteria, net proceeds will be re-allocated to replacement projects that comply with the criteria. Pending allocation, unallocated proceeds will be invested in short-term time deposits or investments, or used to repay existing borrowings within the group in accordance with the Company's liquidity guidelines. Sustainalytics views this process as aligned with market practice.
- Reporting:
 - CIFI will report annually on allocation of proceeds and impact reporting. On allocation reporting, CIFI will report on the aggregate amount allocated to various eligible green projects, the remaining balance of funds to be allocated and the type of investment they are being temporarily held in, and examples of the eligible green projects. With respect to impact reporting, CIFI will report on environmental and social impacts (where possible). For example, estimated avoided GHG emissions (tonnes CO₂), annual energy savings (MWh), amount of water recycled (liters), etc. Sustainalytics views this reporting process as aligned with market practice.

Alignment with Green Bond Principles 2018 and the Green Loan Principles 2018

Sustainalytics has determined that the CIFI Green Finance Framework aligns with the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of CIFI Sustainability Strategy

Contribution of framework to CIFI's sustainability strategy

Sustainalytics is of the opinion that CIFI has demonstrated a commitment to integrate sustainable practices into its business strategy and operations, and to mitigate climate change through various efforts. CIFI Group counts on a two-tiered ESG organizational framework – the Board of the Group, and management of operational departments. While the Board is responsible for oversight of environmental, social and governance affairs, and outlines the long-term sustainable development objectives for the Group,⁵ the implementation of the framework is the responsibility of a dedicated ESG Management Committee. This committee focuses on four key areas, namely ESG in operations, environmental management, employee engagement, and community engagement.⁶

CIFI has undertaken a materiality assessment in efforts to identify its material ESG issues. This materiality assessment resulted in the identification of 25 key ESG issue areas, distributed across four main categories: *Compliance Governance*, *All-round Development*, *Caring for the Environment*, and *Caring for Society*.⁷ Of these 25 overarching key ESG issues, 13 fall within *the Caring for the Environment* category.⁸ These include the following environmental issues: *construction wastes, greening projects, energy management, greenhouse gas management, environmentally friendly construction model, noise pollution, water consumption management, light pollution, dust pollution, recycle & reuse of resources, exhaust emission & sewage discharge, office wastes, use of raw materials*.⁹ To ensure the integration of these areas into its operations, CIFI commits to implement green building standards throughout its portfolio. As of today, 100% of CIFI's construction projects are expected to obtain Chinese Green Building Evaluation Label. These environmental activities frame CIFI Group's Green Finance Framework and align with the Use of Proceeds activities the Group intends to undertake. Sustainalytics notes the importance of a robust ESG materiality assessment, but also encourages CIFI to develop performance indicators for each of the key environmental areas identified.

While Sustainalytics considers that the issuance of GFTs will help CIFI to foster its sustainability efforts, Sustainalytics encourages CIFI to define timebound and quantifiable targets, and implement publicly accessible sustainability policies.

⁵ CIFI Group Annual Report 2018, p. 112

⁶ CIFI ESG Update Document, pp. 13-15

⁷ *Ibid*

⁸ *Ibid*

⁹ *Ibid*

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the GFT(s) issued under the Framework will be directed towards eligible projects that are recognized by the GBP and GLP to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible projects could include land-use change and biodiversity loss associated with large-scale infrastructure development, waste generated in construction, occupational health and safety, and community relations.

Sustainalytics is of the opinion that CIF I can manage and/or mitigate potential risks through implementation of the following processes and procedures:

- According to China's Environmental Impact Assessment Act, companies must perform an environmental risk assessment for all projects (construction, reconstruction, expansion or refurbishment) during the initial phase of project design and feasibility analysis. Moreover, the Chinese Act requires that companies undergo an assessment by an independent and certified environmental impact assessment agency to avoid potential conflict of interest.
- At an operational level, CIF I mandates the regular inspection of external contractors who carry out building projects on behalf of the Group. These inspections are carried out by third-party inspection agencies in accordance with the relevant environmental standards and requirements of the Group. Additionally, the Group actively monitors the environmental pollution of the projects under construction, holds regular meetings on environmental compliance and discusses the performance on each stage of the construction.
- In addition to the Government's standards on occupational health and safety,¹⁰ CIF I has formulated internal guidelines, such as the "Site Safety Standardized Management Guidelines" and "Construction Safety Inspection Standards", in order to monitor safety in construction processes.¹¹ These guidelines apply to external contractors and reviews of adherence are conducted quarterly. Given the relevance of contractors and their oversight of on-site occupational health and safety, CIF I holds regular meetings with contractors and discusses safety construction measures for all stages of construction business and sets up emergency response measures to decrease the impact of accidents. The Group includes the contractors' safety performance in the annual assessment and will terminate the cooperation with poor occupational safety performance.
- To support the implementation of consistent approaches across construction projects, CIF I has developed construction instructions for the management of specific activities related to the control of exhaust emission and sewage discharge across sites.
- CIF I Group acknowledges their annual construction projects create impacts on the environment and society, and has identified several groups as key stakeholders with whom to engage to ensure the adequate consideration of their concerns and risks. CIF I engages with stakeholders through a variety of channels, for example through questionnaires, seminars, public consultation processes with the Government, and in person meetings. While Sustainalytics commends the authorities/government engagement initiatives undertaken by the Group, we encourage the public consultation processes to also include local communities that may be impacted by the development of large-scale infrastructure.

Based on the above-mentioned policies, systems and processes, Sustainalytics believes that CIF I has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the use of proceeds. Sustainalytics encourages the company to further integrate community consultation processes in the design and construction phase of all large infrastructure projects.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of green buildings and energy efficiency in achieving China's climate targets

Over the past decade, China's carbon dioxide emissions have been steadily growing.¹² At the same time, the country has experienced average annual electricity consumption growth of 10% in the period 2000-2018 (in comparison, India, the second most populous country in the world had 7% increase).¹³ The building sector is

¹⁰ CIF I adheres to safety laws and regulations as outlined by the Safety Production Management for Construction Project and Law of the People's Republic of China on the Prevention and Control of Occupational Diseases.

¹¹ CIF I Group Annual Report 2018, p. 114

¹² Carbon Brief, Analysis: Global fossil-fuel emissions up 0.6% in 2019 due to China, December 2019 at: <https://www.carbonbrief.org/analysis-global-fossil-fuel-emissions-up-zero-point-six-per-cent-in-2019-due-to-china>

¹³ The International Energy Agency, Southeast Asia Energy Outlook Report (2019), available at: https://webstore.iea.org/download/direct/2887?filename=southeast_asia_energy_outlook_2019.pdf

estimated to contribute between 7.7% and 20.3% of the country's energy consumption.¹⁴ With expectations of urban population to reach 1 billion people by 2030¹⁵, the urban real estate sector will continue to grow, making it an important player in controlling carbon emissions and energy consumption.

China's commitment to a long-term climate strategy is demonstrated through its recent public policy agenda. The landmark Belt and Road Initiative has green development as a key component.¹⁶ China's National Plan on Implementation of the 2030 Agenda for Sustainable Development, released in 2016, has green development as one of its guiding thoughts.¹⁷ Furthermore, China has ratified the Paris Agreement, under which it aims to increase the share of non-fossil energy sources in the total primary energy supply to around 20% by 2030 and lower the carbon intensity of GDP by 60% to 65% below 2005 levels by 2030.¹⁸ Its 13th Five-Year Plan has climate related targets¹⁹, and even more ambitious targets are expected in the 14th Five-Year Plan.

In relation to green buildings, the government's National New-Type Urbanization Plan (2014 – 2020) includes a target to increase the proportion of urban green buildings in new construction to 50% by 2020²⁰; and it exceeded this target in 2018, when 56% of new urban buildings met the green building standards.²¹ Given that the development of new low carbon buildings has around USD12.9 trillion potential for investments in China by 2030¹⁵, the opportunities for the Chinese green building industry are considered to be significant.

Sustainalytics is of the opinion that CIFI's investments in renewable energy and energy efficiency will advance the adoption of climate smart technologies in the real estate industry and thus positively advance the government's public climate policy.

Importance of promoting sustainable water management strategies in China

Less than 2% of all water in the world is available for human use.²² With continued population growth, urbanization and socioeconomic advancements, stress on water resources has the potential to exacerbate well into the future.²³ For instance, world household water demand grew 600% from 1960-2014.²⁴ At the current trends, global water demand will exceed supply by 40% in 2030.²²

China's socioeconomic development over the past decades resulted in undesirable side-effects associated with water quality and availability²⁵. Further expected urbanization will add pressure on water quality and availability due to increased concentrated water demand and wastewater effluent.²⁶

The 13th Five-Year Plan outlines important water-related targets including on surface water quality, water consumption and sewage processing rates in cities.²⁷ In 2020, the government allocated RMB 3.5 billion (USD 493 million) from the central budget to investments in project construction for water environment treatment,²⁸ and announced a plan to invest further RMB 1 trillion (USD 140 billion) in a series of water conservancy projects.

Sustainalytics is of the opinion that proceeds from CIFI's green bond or loan issuance aimed at financing projects in sustainable water management category will positively contribute to the country's water safeguarding ambitions.

¹⁴ Huo, Tengfei et al. (2018), China's Energy Consumption in the Building Sector available at: <https://www.sciencedirect.com/science/article/pii/S0959652618306152>

¹⁵ The International Finance Corporation, Climate Investment Opportunities in Emerging Markets Report (2016), available at: https://www.ifc.org/wps/wcm/connect/59260145-ec2e-40de-97e6-3aa78b82b3c9/3503-IFC-Climate_Investment_Opportunity-Report-Dec-FINAL.pdf?MOD=AJPERES&CVID=IBLd6Xg

¹⁶ OECD, China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape Report (2018), available at: <https://www.oecd.org/finance/Chinas-Belt-and-Road-Initiative-in-the-global-trade-investment-and-finance-landscape.pdf>

¹⁷ The Ministry of Foreign Affairs of the People's Republic of China, China's National Plan on Implementation of the 2030 Agenda for Sustainable Development Report (2016), available at: https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/W020161014332600482185.pdf

¹⁸ Climate Action Tracker, Pledges and Targets (2019), available at: <https://climateactiontracker.org/countries/china/pledges-and-targets/>

¹⁹ The State Council of The People's Republic of China, China's environment targets in 13th Five-Year Plan (2016), available at: http://english.www.gov.cn/policies/infographics/2016/03/09/content_281475304125348.htm

²⁰ Green Initiatives, The New Era of Green Buildings in China report (2015), available at: https://greeninitiatives.cn/img/white_papers/1441531986096China_Major_Report_-_The_New_Era_of_Green_Buildings_in_China_July_2015.pdf

²¹ The Ministry of Ecology and Environment of the People's Republic of China, China's Policies and Actions for Addressing Climate Change (2019), available at: <http://english.mee.gov.cn/Resources/Reports/reports/201912/P020191204495763994956.pdf>

²² CDP Water, available at: <https://www.cdp.net/en/water>

²³ The World Resources Institute, 17 Countries, Home to One-Quarter of the World's Population, Face Extremely High Water Stress (2019), available at: <https://www.wri.org/blog/2019/08/17-countries-home-one-quarter-world-population-face-extremely-high-water-stress>

²⁴ The World Resources Institute, Domestic Water Use Grew 600% Over the Past 50 Years (2020), available at: <https://www.wri.org/blog/2020/02/growth-domestic-water-use>

²⁵ Ma, Ting et al. (2020), China's improving inland surface water quality since 2003, available at: <https://advances.sciencemag.org/content/6/1/eaau3798>

²⁶ Bao, Chao et al. (2019), Scenario Modeling of Urbanization Development and Water Scarcity Based on System Dynamics: A Case Study of Beijing–Tianjin–Hebei Urban Agglomeration, China, available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6843306/>

²⁷ The State Council of The People's Republic of China, China's environment targets in 13th Five-Year Plan (2016), available at: http://english.www.gov.cn/policies/infographics/2016/03/09/content_281475304125348.htm

²⁸ The State Council of The People's Republic of China, China ramps up efforts to improve water environment (2020), available at: http://english.www.gov.cn/statecouncil/ministries/202003/24/content_WS5e7a02a5c6d0c201c2cbf599.html

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. The GFTs will advance the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities. 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
Clean Transportation	11. Sustainable cities and communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Sustainable Water Management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Climate Change Adaptation	13. Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

Conclusion

CIFI has developed the CIFI Green Finance Framework under which it will issue green bonds or loans and the use of proceeds to finance projects that improve the carbon footprint and environmental performance of its operations. The Framework defines eligibility criteria in seven areas: (i) Green Buildings, (ii) Clean Transportation, (iii) Energy Efficiency, (iv) Pollution Prevention and Control, (v) Sustainable Water Management, (vi) Climate Change Adaptation, and (vii) Renewable Energy. Sustainalytics considers that the projects funded by the green bond or loan proceeds will provide positive environmental impact.





The CIFI Green Finance Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the CIFI Green Finance Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals (SDGs), particularly SDG 6, 7, 9, 11 and 12 (3). Additionally, Sustainalytics is of the opinion that CIFI has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics believes that CIFI Holdings is well-positioned to issue green bonds or loans and that the CIFI Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018 and Green Loan Principles 2018.

Appendices

Appendix 1: Green Building Certification Schemes

	LEED	HK BEAM Plus	BREEAM	CHINA THREE STAR
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BEAM Society Limited (BSL), owner of the Building Environmental Assessment Method (BEAM), is a public body established in 2010. It owns BEAM Plus - a green building assessment tool tailor-made for the high-rise, high density built environment of sub-tropical climate in Hong Kong.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	The Chinese 3-Star Green Building Standard is a Certification System used in China for residential and public buildings (including commercial, hotel and government-owned) that was introduced in 2006 by MOHURD (Ministry of Housing and Urban-Rural Development).
Certification levels	Certified Silver Gold Platinum	Bronze Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	1-Star 2-Star 3-Star
Areas of Assessment: Environmental Performance of the Building	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Site Aspects (location and design of building, emissions from the site, site management) • Materials Aspects (selection of materials, efficient use of materials, waste disposal and recycling) • Energy Use (annual CO2 emissions or energy use, energy efficient systems and equipment, energy management) • Water Use (water quality, water conservation, effluent discharges) • Indoor Environmental Quality (IEQ) 	<ul style="list-style-type: none"> • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation 	<ul style="list-style-type: none"> • Land savings and outdoor environment; • Energy savings and utilisation; • Water savings and utilisation; • Material savings and utilisation; • Indoor environment; • Operations and management.
Requirements	Prerequisites (independent of level of certification) +	Prerequisites for each performance area + Credits with associated points	Prerequisites depending on the levels of certification + Credits with associated points	Prerequisites: The system functions on a checklist basis,

	<p>Credits with associated points</p> <p>These points are then added together to obtain the LEED level of certification</p> <p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Detailed compliance with legal requirements is a prerequisite for the award of credits.</p> <p>For every performance area BEAM prescribes different prerequisites. Every applicable prerequisite in every BEAM category must be achieved for the project to be assessed.</p> <p>Credits are allocated for each performance area, and every area is weighted as per international consensus.²⁹ The Overall Assessment Grade is determined by the percentage (%) of the applicable credits gained under each performance category and its weighting factor.</p> <p>Verification of compliance with BEAM criteria is done by an independent BEAM Assessor.</p>	<p>This number of points is then weighted by item³⁰ and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>with 1-Star buildings meeting 26 criteria, 2-Star an additional 43 items, and 3-Star on a further 14 items. Criteria and weighting differ for public and residential buildings. In public buildings, more weight is given to energy and material savings, while the standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>
<p>Performance display</p>				

²⁹ <https://www.beamsociety.org.hk/files/download/download-20130724174420.pdf>

³⁰ BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	CIFI Holdings
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	CIFI Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	April 23, 2020
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories; (i) Green Buildings, (ii) Clean Transportation, (iii) Energy Efficiency, (iv) Pollution Prevention and Control, (v) Sustainable Water Management, (vi) Climate Change Adaptation, and (vii) Renewable Energy, are aligned with those recognized by the GBP and GLP.

Under the Framework, CIFI intends to issue Green Financing Transactions (“GFT”) that deliver positive environmental impacts. These can include bonds, loans, or other financing structures, as defined in the CIFI Green Finance Framework.

While CIFI does not indicate a look back period for refinancing previous investments in the Framework, CIFI has confirmed that the Company intends to prioritize its most current projects for refinancing activities.

Under the category of Green Buildings, the eligibility criteria refers to credible third party standards including minimum certifications such as LEED (Gold or above), BEAM Plus (Gold or above), BREEAM (Excellent or above), and Chinese Green Building Evaluation Label (2 stars or above). Sustainalytics considers these certification schemes are credible and robust, and ensures proper integration of environmental considerations during all stages of a building’s life cycle. (Please see Appendix 1 for an assessment of certification schemes.) In addition, CIFI set a minimum threshold of 10% (based on third-party assessment) for energy efficiency improvements in new and existing buildings.

With respect to Pollution Prevention and Control, CIFI intends to invest in projects that reduce the amount of non-recycled materials in construction projects by using building material that is derived from recycled content, low-carbon emissions, or certified by an approved local certification body. As part of the same category, CIFI intends to invest in projects related to waste prevention, treatment, management, recycling and municipal waste to energy that follows the waste hierarchy in the region. Following the waste hierarchy, Sustainalytics encourages CIFI to ensure that majority of recyclables are separated before incineration activities. Sustainalytics notes that CIFI excludes landfill operations and highlights the importance of the waste hierarchy in advancing a circular economy.

Under the use of proceeds category of Climate Change Adaptation, CIFI intends to make investments in the design, construction, maintenance and upgrades of buildings/assets for adapting to more frequent and extreme weather events. While Sustainalytics notes that CIFI has not undergone an assessment that indicates the need for infrastructure in the regions where projects are to be financed or refinanced, CIFI has confirmed that the assessment will be included in the project appraisal process. Sustainalytics encourages CIFI to provide detailed disclosure on the need and positive impact of intended infrastructure projects.

Sustainalytics notes that CIFI limits its renewable energy investments to solar photovoltaic energy systems.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |

- Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs
- Other (*please specify*):

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CIFI's project evaluation and selection will be managed by an ESG Working Group ("EWG"). This group consists of senior representatives from various departments including Finance, Design and Architecture, Building Engineering, and Internal Audit and Risk Management. The EWG will meet at least every 12 months to discuss and select eligible green projects according to the Eligible Green Projects outlined in this Framework. The shortlisted projects will then be presented to ESG Committee, which includes representatives from senior management and the CEO, for approval. Sustainalytics views this process as aligned with market practice.

Evaluation and selection

- Credentials on the issuer's environmental sustainability objectives
- Documented process to determine that projects fit within defined categories
- Defined and transparent criteria for projects eligible for Green Bond proceeds
- Documented process to identify and manage potential ESG risks associated with the project
- Summary criteria for project evaluation and selection publicly available
- Other (*please specify*):

Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (*please specify*):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The net proceeds from each GFT issued will be managed by CIFI's finance team and the proceeds of each GFT will be deposited in the general funding accounts. CIFI will maintain a register to track the use of proceeds for each GFT. If allocated projects no longer meet the eligibility criteria, net proceeds will be re-allocated to replacement projects that comply with the criteria. Pending allocation, unallocated proceeds will be invested in short term time deposits or investments, or used to repay existing borrowings within the group in accordance with the Company's liquidity guidelines. Sustainalytics views this process as aligned with market practice.

Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable):

CIFI will report annually on allocation of proceeds and impact reporting. On allocation reporting, CIFI will report on the aggregate amount allocated to various eligible green projects, the remaining balance of funds to be allocated and the type of investment they are being temporarily held in, and examples of the eligible green projects. With respect to impact reporting, CIFI will report on environmental and social impacts (where possible). For example, estimated avoided GHG emissions (tonnes CO₂), annual energy savings (MWh), amount of water recycled (liters), etc. Sustainalytics views this reporting process as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators (please specify): Level of certification by property, energy efficiency gains in MWh or % vs. baseline, annual reduction in water consumption, waste that is prevented, minimised, reused or recycled before and after the project in % of total waste and/or in absolute amount in tonnes, renewable energy produced (MWh), renewable energy capacity (MW) |

Means of Disclosure

- | | |
|---|--|
| <input checked="" type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.cifi.com.cn/en/invest/index.html>

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.

-
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
 - iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
 - iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

Sustainalytics

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