

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:

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 (PPC), CIFI has confirmed that the Company intends to prioritize its most current projects for refinancing activities.

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),

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:

Alignment with/contribution to SDGs

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"/> | |

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

<input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives	<input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories
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<input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds	Documented process to identify and manage potential ESG risks associated with the project
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Summary criteria for project evaluation and selection publicly available

Other (*please specify*):

Information on Responsibilities and Accountability

<input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification	In-house assessment
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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'

Additional disclosure:

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

Information reported:

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

Frequency:

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

Impact reporting:

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

Frequency:

- | | |
|--|-------------|
| <input checked="" type="checkbox"/> Annual | Semi-annual |
| 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

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- 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 ir's

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