



# Second-Party Opinion Xiaomi Corporation Green Finance Framework

## Evaluation Summary

Sustainalytics is of the opinion that the Xiaomi Corporation Green Finance Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes, Energy Efficiency, Green Buildings, Clean Transportation, Pollution Prevention and Control and Renewable Energy – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will help reduce carbon emissions of Company operations in China and advance the UN Sustainable Development Goals, specifically SDG 7, 9, and 12.



**PROJECT EVALUATION / SELECTION** Xiaomi Corporation’s internal process for evaluating and selecting projects will be carried out by the Green Financing Team, which consists of executive managers across different business units, as well as senior managers within the Company. This evaluation and selection process will be implemented on an annual basis. The Corporate Governance Committee will give the final approval on the projects selected. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** Xiaomi Corporation’s Corporate Governance Committee and Group Financial Controller will use the Company’s internal information system to track the use of proceeds on an annual basis. Unallocated proceeds will be held in line with Xiaomi’s liquidity management policy, which will be in the forms of cash and cash equivalents, short-term bank deposits, short-term investments measured at fair value and long-term bank deposits. This is in line with market practice.



**REPORTING** Xiaomi Corporation intends to report on the allocation and impact of proceeds on its website or in the Green Bond Report on an annual basis until full allocation. Allocation reporting will include the aggregate amount allocated, the remaining unallocated balance, the proportion of net proceeds allocated to financing vs refinancing, and type of temporary investment and project examples where feasible. In addition, Xiaomi Corporation is committed to reporting on relevant impact metrics. Sustainalytics views Xiaomi Corporation’s allocation and impact reporting as aligned with market practice.

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## Introduction

Xiaomi Corporation (“Xiaomi”, or the “Company”) is an internet company that designs, manufactures, markets and sells smart-phones and other smart hardware. The Company is headquartered in Beijing, China, and employees around 22, 047 people.

Xiaomi has developed the Xiaomi Corporation Green Finance Framework (the “Framework”) under which it intends to issue green bonds, loans and debt-like instruments, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that reduce Xiaomi’s carbon footprint and improve the environmental impact of the Company. The Framework defines eligibility criteria in six areas:

1. Circular Economy
2. Energy Efficiency
3. Green Buildings
4. Clean Transportation
5. Pollution Prevention and Control
6. Renewable Energy

Xiaomi engaged Sustainalytics to review the Xiaomi Corporation Green Finance Framework, dated July 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>1</sup> and the Green Loan Principles 2021 (GLP).<sup>2</sup> This Framework has been published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA<sup>5</sup>;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9.1, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Xiaomi’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 Framework. Xiaomi representatives have confirmed (1) they understand it is the sole responsibility of Xiaomi to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> 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/>.

<sup>2</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>3</sup> The Xiaomi Green Finance Framework is available on Xiaomi Corporation’s website at: <https://company.mi.com/en-us/ir/indexContent/>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

<sup>5</sup> In addition to the Loan Markets Association, the GLP are also administered by the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Xiaomi Corporation.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Xiaomi has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Xiaomi Green Finance Framework

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

- Use of Proceeds:
  - The eligible categories – Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes, Energy Efficiency, Green Buildings, Clean Transportation, Pollution Prevention and Control, Renewable Energy – are aligned with those recognized by the GBP and GLP. The financed eligible green projects will promote responsible production, consumption, and circularity across the Company's operations. Xiaomi has confirmed that most eligible projects and activities are located in China.
  - Xiaomi has established a look-back period of two years for its refinancing activities, which Sustainalytics considers to be in line with market practice.
  - Under Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes category Xiaomi may invest in expenditures related to:
    - Research and Development (R&D) expenditures of products intended to achieve energy efficiency and to be certified by the China Energy Label (Level 1 and 2),<sup>6</sup> China Energy Conservation Program, and EU Energy Label ("B" or above). Sustainalytics notes that the Framework limits financing to expenditures that are aimed at minimizing the energy requirements of its products in order to meet at least the minimum energy thresholds set by the specified labels, and considers this criterion to be aligned with market practice.
    - Late-stage R&D expenditures<sup>7</sup> related to replacing plastic packaging with recycled and bio-based<sup>8</sup> materials such as certified paper, recycled paper or recycled plastic. Xiaomi has confirmed that the paper used for packaging is expected to be certified by Forest Stewardship Counsel (FSC) or Programme for the Endorsement of Forest Certification (PEFC). Please refer to Appendix 1 for more information on forestry certifications.
    - Other projects under this category may include replacement of phone components with bio-based<sup>8</sup> or recycled materials such as recycled plastic, regenerated fiber,<sup>9</sup> and recovered tin and aluminum etc. Xiaomi has confirmed to Sustainalytics that bio-based

<sup>6</sup> China Certification, "China Energy Label", (2021), at: <https://www.china-certification.com/nl/china-energy-label-cel/>

<sup>7</sup> Xiaomi has confirmed to Sustainalytics that allocations to R&D expenditures will not exceed 5% of total net proceeds.

<sup>8</sup> Bio-based materials are based on organic raw materials, carbohydrate-rich plants, such as corn or sugarcane, and other natural materials under the action of microorganisms.

<sup>9</sup> Regenerated fiber is mainly plant-based.

materials expenditures are limited to the R&D phase and that procurement of bio-based materials is not included in this category.

- Under the Energy Efficiency category, Xiaomi may invest in design, installation, development and operation of energy efficient technology, systems and equipment. Examples of potential expenditures under energy efficient infrastructure including steam boiler, low-voltage power distribution systems, energy efficient heating and cooling systems, heating ventilation and air condition (HVAC) systems, HVAC energy consumption monitoring and management system, lighting with energy control system, elevators and escalators with energy saving features, energy-saving electrical equipment, and exhaust air energy recovery systems. Xiaomi has confirmed to Sustainalytics that it intends to invest in installation of energy-efficient technologies and equipment that are not primarily powered by fossil fuels. Sustainalytics encourages Xiaomi to report on estimated or achieved energy efficiency, on a portfolio basis, where feasible.
- Within the Green Building category, Xiaomi may invest in design, construction and improvement of new or existing commercial buildings that are certified or are expected to be certified in accordance with one of the following third-party green building certification levels: Chinese Green Building Evaluation Label (level 2 or above); LEED (Gold or above), BREEAM (Excellent or above), BCA Green Mark (Gold or above). Sustainalytics considers these schemes cited to be credible and the levels selected to be robust. Refer to Appendix 2 for information on certification schemes.
- Under the Clean Transportation category, Xiaomi may invest in the development of electric vehicles, electric scooters and electric self-balancing scooters.
- Within the Pollution Prevention and Control category, Xiaomi may invest in the installation and maintenance of waste classification and instant waste conversion<sup>10</sup> equipment. Domestic and kitchen waste from offices will be recycled to reduce solid waste disposal. Xiaomi has confirmed to Sustainalytics that waste classification projects may use labelled trash bins to ensure segregation of waste at source and garbage classification education for employees to ensure waste segregation.
- Under the Renewable Energy category, Xiaomi may invest in solar and wind energy projects such as solar boiler systems that do not rely on a fossil fuel backup system as confirmed by Xiaomi.
- Project Evaluation and Selection:
  - The Green Financing team, which consists of executive managers across different business unit, as well as senior management within the Company, assesses and selects Eligible Projects on an annual basis. The Green Financing team consists of members from Corporate Social Responsibility team, Investor Relations team, Finance team, Treasury team and is chaired by the Company's President.
  - The Green Financing team reports to the Corporate Governance Committee on progress, proposals and future targets related to the Green Financing policies and is responsible for coordinating resources for effective enforcement of these policies. The Corporate Governance Committee, on behalf of the Board of Directors, oversees the green financing issues at Xiaomi.
  - Based on the establishment of a Green Financing team, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - Xiaomi's Corporate Governance Committee and Group Financial Controller oversee the management of proceeds process. The proceeds are tracked using the Company's internal information system. Pending allocation, unallocated proceeds will be temporarily held in line with the Company's liquidity management policy, in the forms of cash and cash equivalents, short-term bank deposits, short-term investments measured at fair value and long-term bank deposits. Xiaomi is committed to fully allocate the net proceeds of each green financing transaction within 36 months from issuance.
  - Based on the use of internal tracking system and disclosure of temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:

<sup>10</sup> For instant waste conversion, Xiaomi has purchased professional waste processing equipment which is able to convert kitchen waste into organic fertilizer in accordance with national standards.

- Xiaomi intends to report on the allocation and impact of proceeds on the Company's website or in the Green Bond Report on an annual basis until full allocation. Allocation reporting will include the aggregate amount allocated, the remaining unallocated balance, proportion of net proceeds allocated to financing vs refinancing, type of temporary investment and project examples where feasible.
- In addition, Xiaomi is committed to reporting on relevant impact metrics on a best effort basis and subject to availability. The Company aims to include the following impact indicators, among others: total packaging materials reduced in ton, energy savings in MWh, estimated avoided GHG emissions, amount of waste reused or recycled in tons or in % of total waste and renewable energy generated.
- Based on the commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Xiaomi Green Finance Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 2: Green Finance/Green Finance Programme External Review Form.

## Section 2: Sustainability Performance of Xiaomi

### Contribution of framework to Xiaomi Corporation's sustainability performance

In 2020, the Company conducted a materiality analysis to identify material environmental and social issues that it faces. Xiaomi's Sustainability strategy is concentrated on two key environmental areas: (i) green operations (ii) green products and packaging.<sup>11</sup>

Under the area of green operations, Xiaomi's operational environmental impact comes from its offices, data centers and stores that involve the use of resources.<sup>11</sup> To minimize its operational carbon emissions, Xiaomi has adopted various measures such as energy saving, water conservation, resource recovery and use of renewable energy at places of operation. The headquarters of Xiaomi, Xiaomi Science and Technology Park is designed, constructed, and operated in accordance with green building standards. The Park has been designed with a smart energy management system, solar power to heat water, water saving and waste reduction technologies. During 2020, these measures helped the Company to save approximately 1,406,874 kilowatt-hours (kWh), reduce greenhouse gas emissions by 1,001 tons of carbon dioxide equivalent (tCO<sub>2</sub>e), solar boiler heated more than 3,600 tons of water and kitchen waste created 188 tons of compost.<sup>12</sup> To build green and energy-efficient data centers the Company has adopted measures to reduce energy consumption such as servers with high energy efficiency, power consumption monitoring system to improve the management of power consumption.<sup>12</sup> At stores Xiaomi adopted the "paperless" concept, by using electronic price tags and offering paper instead of plastic bags.<sup>12</sup>

Under the focus of green products and packaging, Xiaomi is committed to make its products and packaging sustainable by reducing plastic packaging and increasing the adoption of bio-based materials.<sup>13</sup> In 2020, the packaging materials used for a wide range of Xiaomi products amounted to 46,808 tons.<sup>11</sup> At the end of 2020, Xiaomi reduced packaging solutions in 95% of Xiaomi's self-labeled products. Since October 2020, the company has reduced the weight of plastics in smartphone packaging by 60%, starting in Europe.<sup>11</sup> The also company introduced green packaging designs such as the One Paper Box package,<sup>11</sup> which saves up to 40% packaging material. The Company scores highly in France's new reparability index,<sup>14</sup> encouraging consumers to select more repairable products and thereby improving the reparability of their own products.<sup>12</sup> Xiaomi is committed to product recycling and resource recovery initiatives, including recycling and trade-in programs. In 2020, the Company recycled 127,271 smartphones reducing approximately 25 tons of electronic waste.<sup>11</sup>

Sustainalytics is of the opinion that the Xiaomi Corporation Green Finance Framework is aligned with the company's overall sustainability initiatives and will further the Company's action on its key environmental priorities. Sustainalytics encourages Xiaomi Corporation to set and communicate timebound quantitative targets on the Company's plan to minimize the environmental impacts of its assets and core operations.

<sup>11</sup> Xiaomi Corporation, "2020 Annual Report" at: [http://i01.appmifile.com/webfile/globalweb/company/ir/announcement\\_us/annual\\_report\\_2020\\_e.pdf](http://i01.appmifile.com/webfile/globalweb/company/ir/announcement_us/annual_report_2020_e.pdf)

<sup>12</sup> Xiaomi has shared this information with Sustainalytics through the Xiaomi Sustainability Report 2020.

<sup>13</sup> Bio based material are renewable material that mainly consist of substances derived from living matter (biomass), such as corn or sugarcane, under microorganism reaction

<sup>14</sup> In 2019, the French government passed a law stating that all electrical and electronic equipment must display how easy it is to repair, using a reparability index developed by the Ministry of Ecology.

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

While Sustainalytics recognizes that the net proceeds from the bonds, loans and debt-like instruments issued under the Framework will be directed towards eligible projects that are expected 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 occupational health and safety, environmental impact of its own operations, electronic waste management, supply chain risks and product safety.

Sustainalytics is of the opinion that Xiaomi is able to manage and/or mitigate potential risks through implementation of the following:

- Xiaomi has established a health and safety management system for each of the offices in accordance with the ISO 45001 Occupational Health and Safety Management System Standard.<sup>15</sup> In addition, The Company developed Mi Project Emergency Response Manual and the Production Facility Safety Inspection Guidelines to address occupational health and safety risks and emergencies.<sup>11</sup>
- Xiaomi follows ISO14001 Environmental Management System indicating the presence of robust management systems to manage and mitigate environmental risk.<sup>11</sup> The Company has developed a series of policies and procedures such as Environment Protection Management Procedure<sup>16</sup> to address and manage the impact of business on the environment.<sup>11</sup>
- In the Regulation on Management of the Recycling and Disposal of Waste Electrical and Electronic Equipment (WEEE), the Chinese government has made WEEE recycling mandatory and implemented extended producer responsibility (EPR).<sup>17</sup> Municipal environment protection departments are responsible for approving agencies involved in WEEE treatment, to ensure safe e - waste practices to mitigate any form of environmental degradation and health risk to those involved in such recycling activities.<sup>17</sup> The Xiaomi Mobile Phone Engineering Machine Management System<sup>18</sup> is formulated for the physical management of transfer, return and disposal of mobile phone engineering machine.<sup>19</sup> The company ensures strict compliance to local laws and regulations for product recycling and post-processing when partnering with licensed third parties.<sup>11</sup> In addition, Xiaomi has implemented a strict privacy protection policy and conducts complete data erasure on recovered devices.<sup>11</sup>
- All suppliers are required to comply with Supplier Social Responsibility Code of Conduct, which covers labor, health and safety, environmental protection, business ethics, management system, and evaluation and improvement.<sup>11</sup> By the end of 2020 more than 95% of Xiaomi's suppliers have signed the Supplier Social Responsibility Agreement.<sup>11</sup> The Company adheres to the telecom industry's sustainable supply chain guidance SA8000.<sup>20</sup> Since 2018, Xiaomi has carried out social responsibility audits on core suppliers covering environment, occupational health and safety, labor rights, and other aspects.<sup>11</sup> In 2020, Xiaomi issued the Xiaomi Supplier Responsibility Audit Procedures to audit its suppliers on social responsibility performance.<sup>11</sup> The company requires suppliers to investigate the origin of conflict minerals contained in their products following the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance<sup>21</sup> towards Conflict-free Mineral Supply Chains and the Responsible Minerals Initiative (RMI) audit guidelines.<sup>11</sup>
- Xiaomi enforces strict management of hazardous substances to ensure product safety. Their products are compliant with European Union (EU) regulations<sup>11</sup> including the restrictions on harmful substances and chemicals listed in the Stockholm Convention on Persistent Organic Pollutants (POPs),<sup>22</sup> the Restriction of Hazardous Substances (RoHS),<sup>23</sup> the Registration, Evaluation,

<sup>15</sup> ISO, "ISO 45001 Occupational Health and Safety", at : <https://www.iso.org/iso-45001-occupational-health-and-safety.html>

<sup>16</sup> Xiaomi has shared this information with Sustainalytics through the Xiaomi Environment Protection Management Procedure

<sup>17</sup> Wong, Natalie (2020), "Electronic Waste Governance under "One Country, Two Systems": Hong Kong and Mainland China, International Journal of Environmental Research and Public Health at : <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6266610/>

<sup>18</sup> Xiaomi has shared this information with Sustainalytics through the document Xiaomi Mobile Phone Engineering Machine Management System

<sup>19</sup> Mobile phone engineering machine include the whole machine, main board, small board, etc. that are under development and mass production stage research and development purpose

<sup>20</sup> Guidance Document For Social Accountability 8000 at : <https://sa-intl.org/wp-content/uploads/2020/02/SA8000-2014-Guidance-Document.pdf>

<sup>21</sup> OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, at : <https://www.oecd.org/daf/inv/mne/mining.htm>

<sup>22</sup> The Stockholm Convention is a global treaty to protect human health and environment from POPs, which are identified chemical substances that persist in the environment, bio-accumulate in living organisms, adversely affect human health/ environment and have the property of long-range environmental transport (LRET)

<sup>23</sup> The Restriction of Hazardous Substances Directive 2002/95/EC, short for Directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment, was adopted in February 2003 by the European Union.

Authorization and Restriction of Chemicals (REACH),<sup>24</sup> and the Toy Safety Directive.<sup>25</sup> These regulatory compliances seek to limit the impact and exposure of specific hazardous substances to consumers and the environment and reduce occupational exposure when products are manufactured, recycled, or sent for final disposal. In 2020, the company issued Management Guidelines for Environmentally Hazardous Substances in Products.<sup>11</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Xiaomi Corporation has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

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

#### The importance of financing green buildings and energy efficiency projects in China

According to the International Energy Agency (IEA), buildings accounted for 30% of global energy consumption and 30% of energy-related CO<sub>2</sub> emissions in 2020.<sup>26</sup> The World Green Building Council also estimated that carbon emissions related to heating, cooling and lighting buildings, account for 28% of global carbon emissions in 2019.<sup>27</sup> The IEA reported that CO<sub>2</sub> emissions from the building sector would need to decline by 50% by 2030 to achieve global warming levels of below 1.5°C to be in line with the Paris Agreement.<sup>28, 29</sup>

China makes up 24% of the global energy consumption and 28.5% of global emissions.<sup>30,31</sup> On the national level, the building sector in China contributes 20% towards the nation's total primary energy consumption, and 25% towards its GHG emissions.<sup>32</sup> In its efforts to scale up its ambitions in combating climate change, the Chinese government set a target of becoming carbon neutral by 2060. Boston Consulting Group (BCG) estimates that China would need to reduce its carbon emissions by 75%-85% by 2050 to achieve its carbon neutrality target.<sup>33</sup> Additionally, BCG has identified that the energy efficiency and decarbonization of the building sector in China play an important role in achieving the nation's as well as global climate targets.<sup>33</sup>

In line with the carbon neutrality goal, the National People's Congress (NPC) has approved its 14<sup>th</sup> five-year plan (FYP) for economic and social development. The plan includes commitments to reduce the nation's energy consumption per unit of GDP by 13.5%, and its CO<sub>2</sub> emissions per unit of GDP by 18% – by 2025 relative to 2021.<sup>34</sup> As a result of these policies, there are significant opportunities for energy efficiency improvements in the green building industry in China.

Sustainalytics believes that investments in certified green buildings and energy efficiency projects offer the potential to enhance energy and resource efficiency of China's building sector while supporting China's climate goals.

#### The importance of financing circular design in China

According to the report, "The Global E-waste Monitor 2020", in 2019 an estimated 53.6 million tonnes of electronic waste (e-waste) was generated in the world and only 17.4% was recycled. China was the largest

<sup>24</sup> Registration, Evaluation, Authorization and Restriction of Chemicals is a European Union regulation dating from 18 December 2006. REACH addresses the production and use of chemical substances, and their potential impacts on both human health and the environment.

<sup>25</sup> European Commission, "Toy Safety in the EU", (2013), at: [https://ec.europa.eu/growth/sectors/toys/safety\\_en](https://ec.europa.eu/growth/sectors/toys/safety_en)

<sup>26</sup> International Energy Agency, "World Energy Output Special Report: Buildings, (2020)", at: [https://iea.blob.core.windows.net/assets/c3de5e13-26e8-4e52-8a67-b97aba17f0a2/Sustainable\\_Recovery.pdf](https://iea.blob.core.windows.net/assets/c3de5e13-26e8-4e52-8a67-b97aba17f0a2/Sustainable_Recovery.pdf)

<sup>27</sup> World Green Building Council, "New report: the building and construction sector can reach net zero carbon emissions by 2050", at: <https://www.worldgbc.org/news-media/WorldGBC-embodied-carbon-report-published>

<sup>28</sup> International Energy Agency, "Tracking Buildings 2020", at: <https://www.iea.org/reports/tracking-buildings-2020/building-envelopes>

<sup>29</sup> Paris Agreement, 2015 at: [https://unfccc.int/sites/default/files/english\\_paris\\_agreement.pdf](https://unfccc.int/sites/default/files/english_paris_agreement.pdf)

<sup>30</sup> International Energy Agency, "Global Energy Review 2020", at: [https://iea.blob.core.windows.net/assets/7e802f6a-0b30-4714-abb1-46f21a7a9530/Global\\_Energy\\_Review\\_2020.pdf](https://iea.blob.core.windows.net/assets/7e802f6a-0b30-4714-abb1-46f21a7a9530/Global_Energy_Review_2020.pdf)

<sup>31</sup> ChinaPower, "How is China Managing its Greenhouse Gas Emissions?", (2020), at: <https://chinapower.csis.org/china-greenhouse-gasemissions/#:~:text=Greenhouse%20gas%20emissions%20from%20human,carbon%20dioxide%20emissions%20in%202018>

<sup>32</sup> C40 China Buildings Programme, "Constructing a New, Low-Carbon Future", (2018) at: <https://www.c40.org/researches/constructing-a-new-low-carbon-future-china>

<sup>33</sup> Boston Consulting Group, "How China Can Achieve Carbon Neutrality by 2060", (2020) at: <https://www.bcg.com/publications/2020/how-china-can-achieve-carbon-neutrality-by-2060>

<sup>34</sup> The State Council of China, "14<sup>th</sup> five-year plan", (2021), at: <http://www.npc.gov.cn/npc/kgfb/202103/bf13037b5d2d4a398652ed253cea8eb1.shtml>

contributor producing 10.1 million tonnes in the same year.<sup>35</sup> Furthermore, the majority of e-waste in China is handled by the informal waste sector, which creates issues such as secondary environmental pollutions and lack of labor health and safety protections.

To address the e-waste problem, China announced a national plan of promoting extended producer responsibility (EPR) for key products including electronics in 2017.<sup>36</sup> The Chinese government plans to complete the relevant regulations of the EPR system. The objective is to use 20% of renewable materials in electrical products and to reach a 50% recycling rate of the e-waste by 2025.<sup>36</sup> The plan aims to promote eco-design, use of renewable raw materials and the recycling and resource utilization of waste electrical and electronic products.<sup>36</sup>

Based on the above, Sustainalytics believes that investments in circular design will contribute to improving better utilization of resources in its electronic products while supporting China's 2025 goal to improve the management of electronic waste

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the Xiaomi Corporation Green Finance Framework advances the following SDG(s) and target(s):

Use of Proceeds Category	SDG	SDG target
Circular Economy	9. Industry, Innovation and Infrastructure	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 taking action in accordance with their respective capabilities
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Green Buildings	9. Industry, Innovation and Infrastructure	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 taking action in accordance with their respective capabilities
Clean Transportation	9. Industry, Innovation and Infrastructure	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 taking action in accordance with their respective capabilities
Pollution Prevention and Control	12 Responsible consumption and production	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

<sup>35</sup> The Global E-waste Statistics Partnership, "The Global E-waste Monitor 2020", (2020), at: <https://globalewaste.org/publications/>

<sup>36</sup> The State Council of The People's Republic of China, "Notice of the General Office of the State Council on Issuing the Implementation Plan of the Extended Producer Responsibility System", (2017), at: [http://www.gov.cn/zhengce/content/2017-01/03/content\\_5156043.htm](http://www.gov.cn/zhengce/content/2017-01/03/content_5156043.htm)



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## Conclusion

Xiaomi has developed the Xiaomi Corporation Green Finance Framework under which it may issue green bonds and/or loans and use the proceeds to finance projects in Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes, Energy Efficiency, Green Buildings, Clean Transportation, Pollution Prevention and Control, and Renewable Energy. Sustainalytics considers that the projects funded by the green bond proceeds are expected to provide positive environmental impact.

The Xiaomi Corporation 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 Xiaomi 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 7, 9 and 12. Additionally, Sustainalytics is of the opinion that Xiaomi has adequate 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 is confident that Xiaomi Corporation is well-positioned to issue green bonds and/or loans and that the Xiaomi Green Finance Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2021.

## Appendices

### Appendix 1: Forestry Certification Schemes

	FSC <sup>37</sup>	PEFC <sup>38,39</sup>
<b>Background</b>	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems.
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>
<b>Governance</b>	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p>	<p>PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organization does include stakeholders from all sectors.</p>
<b>Scope</b>	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) <sup>40</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.

<sup>37</sup> Forest Stewardship Council, FSC: <https://ca.fsc.org/en-ca>

<sup>38</sup> The Brazilian Forest Certification Program (CERFLOR) was formally endorsed by PEFC in 2005 and has since formed alignment. As such, Sustainalytics' analysis of PEFC's framework, guidelines and credibility can be applied to CERFLOR. See more, at: <https://www.pefc.org/discover-pefc/our-pefc-members/national-members/brazilian-forest-certification-programme-cerflor>

<sup>39</sup> Programme for the Endorsement of Forest Certification, PEFC: <https://www.pefc.org/>

<sup>40</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

<p><b>Chain-of-Custody</b></p>	<ul style="list-style-type: none"> <li>• The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards.</li> <li>• CoC standard includes procedures for tracking wood origin.</li> <li>• CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products.</li> <li>• CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC.</li> </ul>	<ul style="list-style-type: none"> <li>• Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC.</li> <li>• Only accredited certification bodies can undertake certification.</li> <li>• CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>• The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials.</li> <li>• The CoC standard includes specifications for the physical separation of certified and non-certified wood.</li> <li>• The CoC standard includes specifications about procedures for dealing with complains related to participant’s chain of custody.</li> </ul>
<p><b>Non-certified wood sources</b></p>	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>Wood harvested in violation of traditional and civil rights,</li> <li>Wood harvested in forests where high conservation values are threatened by management activities,</li> <li>Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> <li>Wood from management units in which genetically modified trees are planted.</li> </ol>	<p>The PEFC’s Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> <li>operations and harvesting, including land use conversion,</li> <li>management of areas with designated high environmental and cultural values,</li> <li>protected and endangered species, including CITES species,</li> <li>health and labor issues,</li> <li>indigenous peoples’ property, tenure and use rights,</li> <li>payment of royalties and taxes.</li> </ul> </li> <li>genetically modified organisms,</li> <li>forest conversion, including conversion of primary forests to forest plantations.</li> </ol>
<p><b>Accreditation/verification</b></p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF’s rules and regulations.</p>
<p><b>Conclusion</b></p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>41</sup> and both have also faced criticism from civil society actors.<sup>42,43</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

<sup>41</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>42</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>43</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

## Appendix 2: Overview and Assessment of Green Building Certification Schemes

	Chinese Green Building Evaluation Label (China Three Star)	LEED <sup>44</sup>	BREEAM <sup>45</sup>	BCA Green Mark
<b>Background</b>	The Chinese Green Building Evaluation Label 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).	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.	Building Research Establishment Environmental Assessment Method (BREEAM) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, BREEAM is used for new, refurbished and extension of existing buildings.	The BCA Green Mark Scheme provides real estate certifications in Singapore to promote sustainability in the built environment (during project conceptualization and design, as well as during construction.) <sup>46</sup>
<b>Certification levels</b>	1-Star 2-Star 3-Star	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding	Certified Gold Gold Plus Platinum
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Land savings and outdoor environment;</li> <li>• Energy savings and utilisation;</li> <li>• Water savings and utilisation;</li> <li>• Material savings and utilisation;</li> <li>• Indoor environment;</li> <li>• Operations and management.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Climate Responsive Design</li> <li>• Building Energy Performance</li> <li>• Resource Stewardship</li> <li>• Smart and Healthy Buildings</li> <li>• Advanced Green Efforts</li> </ul>
<b>Requirements</b>	Prerequisites:  The system functions on a checklist basis, 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	Prerequisites (independent of level of certification) + Credits with associated points  These points are then added together to obtain the LEED level of certification  There are several different rating systems within LEED. Each rating system is	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>47</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are	Prerequisites for each performance area (to demonstrate minimum criteria met) + numerical scores achieved in accordance with the criteria in each performance area. Performance Areas have different weights. 48  Depending on the level of building performance





<sup>44</sup> Leadership in Energy and Environmental Design, at: <https://new.usgbc.org/leed>

<sup>45</sup> BREEAM, Building Research Establishment LTD, at: <https://breem.com/>

<sup>46</sup> About BCA Green Mark Scheme, at: [https://www.bca.gov.sg/greenmark/green\\_mark\\_buildings.html](https://www.bca.gov.sg/greenmark/green_mark_buildings.html)

<sup>47</sup> 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.

<sup>48</sup> Green Mark at: [https://www.bca.gov.sg/GreenMark/others/Green\\_Mark\\_NRB\\_2015\\_Criteria.pdf](https://www.bca.gov.sg/GreenMark/others/Green_Mark_NRB_2015_Criteria.pdf).

	<p>standard for residential buildings places greater importance on urban land saving and outdoor environments.</p>	<p>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>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>and numerical score achieved in performance area, building's level of certification is determined.</p> <p>Assessment of compliance with Green Mark criteria is done by the Singapore Building and Construction Authority (BCA).</p>
<p><b>Performance display</b></p>				

## Appendix 3 : Green Finance / Green Finance Programme - External Review Form

### Section 1. Basic Information

Issuer name:	Xiaomi Corporation
Green Bond ISIN or Issuer Green Finance Framework Name, if applicable:	Xiaomi Corporation Green Finance Framework
Review provider's name:	Sustainalytics
Completion date of this form:	July 01, 2021
Publication date of review publication:	

### 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 GBP:

- |  |  |
|--|--|
| <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 <sup>nd</sup> 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 for the use of proceeds –Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes, Energy Efficiency, Green Buildings, Clean Transportation, Pollution Prevention and Control and Renewable Energy – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will help reduce carbon emissions of Company operations in China and advance the UN Sustainable Development Goals, specifically SDG 7, 9, and 12.

#### 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 type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation   |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                 | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Xiaomi Corporation's internal process in evaluating and selecting projects will be carried out by the Green Financing Team, which consists of executive managers across different business units, as well as senior managers within the Company. This evaluation and selection process will be implemented on an annual basis. The Corporate Governance Committee will give the final approval on the projects selected. Sustainalytics considers the project selection process in line 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    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                  | <input type="checkbox"/> Other ( <i>please specify</i> ):  |

### 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):

Xiaomi Corporation's Corporate Governance Committee and Group Financial Controller will use the Company's internal information system to track the use of proceeds on an annual basis. Unallocated proceeds will be held in line with Xiaomi's liquidity management policy, which will be in the forms of cash and cash equivalents, short-term bank deposits, short-term investments measured at fair value and long-term bank deposits. This is in line 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:

- Allocations to future investments only       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 (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

Xiaomi Corporation intends to report on the allocation and impact of proceeds on its website or in the Green Bond Report on an annual basis until full allocation. Allocation reporting will include the aggregate amount allocated, the remaining unallocated balance, the proportion of net proceeds allocated to financing vs refinancing, and type of temporary investment and project examples where feasible. In addition, Xiaomi Corporation is committed to reporting on relevant impact metrics. Sustainalytics views Xiaomi Corporation's allocation and impact reporting as aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project       On a project portfolio basis
- Linkage to individual bond(s)       Other (please specify):



**Information reported:**

- Allocated amounts  Green Bond financed share of total investment
- Other (*please specify*): remaining unallocated balance, proportion of net proceeds allocated to financing vs refinancing and type of temporary investment and project examples where feasible

**Frequency:**

- Annual  Semi-annual
- Other (*please specify*):

**Impact reporting:**

- Project-by-project  On a project portfolio basis
- Linkage to individual bond(s)  Other (*please specify*):

**Information reported (expected or ex-post):**

- GHG Emissions / Savings  Energy Savings
- Decrease in water use  Other ESG indicators (*please specify*): total packaging material reduced (in ton), total plastic and film materials reduced (in ton), number and type of green building certifications, amount of waste reused or recycled (in ton of % of total waste), renewable energy generation (in MWh) and renewable energy capacity installed (in MW).

**Frequency**

- Annual  Semi-annual
- Other (*please specify*):

**Means of Disclosure**

- Information published in financial report  Information published in sustainability report
- Information published in ad hoc documents  Other (*please specify*): company website
- 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://company.mi.com/en-us/ir/indexContent/>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

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

**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.

## Disclaimer

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These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

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

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



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