Xiaomi Corporation
Green Finance Framework
July 2021
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Introduction
Headquartered in Beijing, Xiaomi Corporation ("Xiaomi" or the "Company", Hong Kong stock code: 1810) is a consumer electronics and smart manufacturing company with smartphones and smart hardware connected by an IoT platform at its core. With equal emphasis on innovation and quality, Xiaomi continuously pursues superior user experience and high operational efficiency.

The Company’s mission is to relentlessly build amazing products with honest prices to let everyone in the world enjoy a better life through innovative technology. Xiaomi ranked 3rd globally in terms of smartphone shipments in the first quarter of 2021. The Company has also established the world’s leading consumer AIoT (AI+IoT) platform, with 351.1 million smart devices connected to its platform as of March 31, 2021, excluding smartphones and laptops. Xiaomi’s products and services are offered in more than 100 countries and regions around the world.

In 2020, Xiaomi’s total revenue reached RMB245.9 billion, representing an increase of 19.4% year-over-year; adjusted net profit was RMB13.0 billion, representing an increase of 12.8% year-over-year. In August 2020, the Company made the Fortune Global 500 list for the second consecutive year, ranking 422nd.
Green and Sustainability Vision

Every day for the past eleven years, Xiaomi has been building amazing products with honest prices to let people around the world enjoy a better life through innovative technology. Our products and services are in your office, in your home, in your pocket and in your hand. We understand your needs and are committed to keeping you connected. Capturing the hearts of our loyal fans, our commitment to innovation and unwavering focus on quality and efficiency are only part of our story. As the 3rd largest smartphone company and the leading IoT platform in the world, Xiaomi is fully committed to leveraging our scale and efficiency to drive a more sustainable economy that supports our users, our employees, our Company and our planet.

By integrating environmental, social and governance (ESG) factors into our products and services, Xiaomi stands proud of our social contributions. Xiaomi joined the United Nations Global Compact (UNGC) in 2020, supports the Sustainable Development Goals (SDGs) adopted by the United Nations, and prioritizes our sustainability targets according to the unique characteristics of our business and the industry at large.

We are working hard to achieve a better future. One of our goals is to increase our contribution to the circular economy through innovation at each point of our value chain. We make more than 40 types of energy-saving products. Our award-winning One Paper Box design allows for up to 40% reduction in packaging.

We will not stop here. We are determined to contribute to a better, more viable and socially responsible future. Our concerted efforts to reduce our environmental impact and achieve carbon neutrality are on track. Our headquarters, which we completed in 2019, was designed and constructed with green and energy-saving principles in mind. We decorate our retail offline stores with sustainable materials and have completely phased out plastic shopping bags and disposable tagging in our mainland China stores.

Our responsibility lies with all people. Giving everyone a voice allows us to work together and act as a responsible citizen of the world. Xiaomi is committed to enabling people with disabilities to enjoy equitable access to the convenience and benefits brought by innovative technology. Our AI Calling feature allows hearing-impaired delivery workers to inform customers of pick-ups. We also embedded features in our operating system MIUI that enables visually-impaired users to “touch” the interface elements and “read” screens through vibration. In 2020, Xiaomi dedicated our AI Speaker Voice Labeler Project to visually impaired candidates and recruited over 185 employees with disabilities for professional positions.
Green Initiatives and Commitments

We believe in leading by example. As a company that designs, markets and sells smart consumer electronic devices, our products have a direct impact on the environment. How we design and implement our technology matters.

As a good corporate citizen, Xiaomi is leveraging our scale to create socially and environmentally responsible products and set a positive industry example for others to follow. We use designs that either reduce overall carbon footprint or have minimal environmental impact. We minimize packaging, use renewable and recyclable materials free of hazardous substances, utilize energy efficient components, and stopped bundling chargers with some of our smartphones. In the supply chain, we are committed to responsible business practices and hold our suppliers to high standards of excellence defined in governing laws, recognized international standards and conventions.

We have also been actively working on reducing waste and increasing the longevity and reparability of our products. Our Redmi 9A handset comes with a 5000mAh battery with a 1000 charge cycle, which doubles the smartphone’s expected lifespan from the previous generation. The Mi 11/Mi 11 Pro/Mi 11 Ultra come with super-tough glass, which makes them 1.5 times more resistant if dropped and two times more resistant to scratches. The Company’s flagship smartphone Mi 11 also scored 8 out of 10 on the official French Reparability Index.

We are aware of the impact our products have on the environment when they reach their end of life, and continuously facilitate recycling, material recovery and reuse, and landfill waste diversion for our products. We are also expanding our trade-in service, currently available in China, Europe and India, that gives customers the option to easily recycle old products without leaving home. We also partner with external parties that provide facilities and operation channels to recycle and reprocess used products.

Xiaomi continues to innovate in our ongoing effort to bring about a more conscientious, responsible, connected, and cool world. Let’s make a better, more sustainable life together.
Green Finance Framework
Framework Concept

This bespoke Green Finance Framework ("GFF" or the "Framework") has been developed to demonstrate how the Company and/or its entities intends to enter into Green Financing Transactions ("GFT") to fund projects, assets and developments that will deliver environmental benefits and support Xiaomi's green and sustainability vision, as well as its business strategy. The Framework follows the principles below, or as may subsequently be amended:

- **ICMA Green Bond Principles 2021** (“ICMA GBP”)
- **LMA, APLMA, and LSTA Green Loan Principles 2021** (“GLP”)

GFT includes bonds, loans and other debt-like financings for Eligible Projects as defined in this Framework:

- **Green Bonds**, in accordance with ICMA GBP
- **Green Loans**, in accordance with GLP
- **Other debt-like financings** may conform to other green finance principles as may have been established at the time of such financing transaction being undertaken

GFT may be done in any currency or tenor and with other terms and conditions including covenants, to reflect the financing strategy and plan of Xiaomi as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender.

GFT may be done in any jurisdiction and market reflecting Xiaomi's current and future business needs.

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2. 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/](https://www.lsta.org/content/green-loan-principles/)
Framework Scope

For each GFT, Xiaomi’s management will adopt the following principles:

1. Use of Proceeds
2. Project Evaluation and Selection
3. Management of Proceeds
4. Reporting & Assurance

Xiaomi plans to invest US$10bn in the smart electric vehicle business.

Unmanned smart factory enables 24-hour lights-out production.
Use of Proceeds

Xiaomi commits to allocating the proceeds or an equivalent amount of proceeds of each GFT exclusively for the financing and/or refinancing of Eligible Projects at Xiaomi, in whole or in part, including the acquisition, construction, development or re-development of such projects that provide clear environmental and sustainability benefits explicitly recognized by ICMA GBP and GLP. Refinancing of Eligible Projects will have a look-back period of no longer than 24 months from the time of issuance. Xiaomi is committed to fully allocate the net proceeds of each GFT on a best effort basis within 36 months of issuance.

The Eligible Projects means projects that fall within the categories stated below.

<table>
<thead>
<tr>
<th>Eligible Project Category</th>
<th>Eligible Criteria and Example Projects</th>
<th>Sustainable Development Goal (SDG)</th>
</tr>
</thead>
</table>
| Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes | Expenditures related to Research & Development (R&D) of products to achieve energy efficiency and to be certified by the China Energy Label (CEL), China Energy Conservation Product Certification (CECP), and European Union Energy Label  
- Reduction in energy and water consumption, as well as Greenhouse Gas emission  
R&D expenditures related to facilitating the use of eco-efficient materials in its products and packaging, including but not limited to:  
- Designing product packaging to reduce packaging material usage and weight and to reduce/avoid the adoption of plastic and film materials by utilizing biodegradable paper  
- Replacing existing phone components with bio-based or other recycled materials |  
| Energy Efficiency | Design, installation, development and operation of infrastructure that reduce energy consumption or avoid Greenhouse Gas emission in operations, including but not limited to:  
- Design and development of energy-efficient infrastructures that enable unmanned production and achieve 24-hour lights out production  
- Improvement and maintenance of energy-saving electrical appliances controlled by a smart energy management system |  

Xiaomi commits to allocating the proceeds or an equivalent amount of proceeds of each GFT exclusively for the financing and/or refinancing of Eligible Projects at Xiaomi, in whole or in part, including the acquisition, construction, development or re-development of such projects that provide clear environmental and sustainability benefits explicitly recognized by ICMA GBP and GLP. Refinancing of Eligible Projects will have a look-back period of no longer than 24 months from the time of issuance. Xiaomi is committed to fully allocate the net proceeds of each GFT on a best effort basis within 36 months of issuance.
## Use of Proceeds (Cont’d)

<table>
<thead>
<tr>
<th>Eligible Project Category</th>
<th>Eligible Criteria and Example Projects</th>
<th>Sustainable Development Goal (SDG)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Green Buildings</strong></td>
<td>Expenditures related to (1) improvement or refinancing of existing and (2) design or construction of new, office space, commercial buildings, or surrounding communities certified in accordance with any one of the following selected certification systems:</td>
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<tr>
<td></td>
<td>- Chinese Green Building Evaluation Label (GBL) – Two stars or above</td>
<td>7 SDG 11 - Sustainable Cities and Communities</td>
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<tr>
<td></td>
<td>- U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above</td>
<td>9 SDG 7 - Affordable and Clean Energy Solutions</td>
</tr>
<tr>
<td></td>
<td>- Building Research Establishment Environmental Assessment Model (BREEAM) – Excellent or above</td>
<td>15 SDG 13 - Climate Action</td>
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<td></td>
<td>- BCA Green Mark – Gold or above</td>
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<tr>
<td><strong>Clean Transportation</strong></td>
<td>Expenditures related to investment in property, plant and equipment (PP&amp;E), as well as R&amp;D expenditures of alternative vehicles, sample projects including but not limited to:</td>
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<tr>
<td></td>
<td>- Electric vehicles</td>
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<tr>
<td></td>
<td>- Electric scooters and electric self-balancing scooters</td>
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<tr>
<td><strong>Pollution Prevention and Control</strong></td>
<td>Promoting waste classification and instant waste conversion in order to mitigate its environmental impact</td>
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<td></td>
<td>Recycling domestic waste and kitchen waste in offices to reduce solid waste disposal</td>
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<tr>
<td></td>
<td>- Installation and maintenance of waste processing equipment in Xiaomi Science and Technology Park canteen which converts kitchen waste into organic fertilizer in accordance with national standards</td>
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<tr>
<td><strong>Renewable Energy</strong></td>
<td>Expenditures related to new or existing renewable energy projects (solar and wind projects) or the associated transmission solutions</td>
<td></td>
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<tr>
<td></td>
<td>- Installation and operation of two sets of solar boiler systems in Xiaomi Science and Technology Park</td>
<td></td>
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</tbody>
</table>
Eligible Project Highlights

Eco-friendly Phone Components

**Post Consumer Resin:** material made from recycled plastic, such as water and beverage bottles and other packaging, enabling Xiaomi to make the same high-quality products with less environmental impact.

1. **Used plastic bottles**
2. **Collect-clean-break into pieces-Metal removal/extrusion/Inspection**
3. **Recycled by physical machinery**
4. **Modified mixing**
5. **Resin made from recycled material**
6. **Xiaomi phone components**

**Bio-based material:** renewable material that mainly consists of substances derived from living matter (biomass), such as corn or sugarcane, under microorganism reaction.

1. **Castor**
2. **Castor seed**
3. **Castor oil**
4. **Corn Stalk**
5. **Xiaomi phone components**

Reduced Packaging

**2019**
- Overall weight of 138g with 6 parts

**2020**
- Overall weight of 111g with 4 parts

One Paper Box saves up to 40% of the packaging materials.
Project Evaluation and Selection

Optimized manufacturing process of MI TV achieved an annual reduction of 326 tons CO₂ emission

A smart energy management system has been installed for the entire complex of the Xiaomi Science and Technology Park

Xiaomi has established a Green Financing governance structure in the Company

- On the governance level, the Corporate Governance Committee (CGC), on behalf of the Board of Directors, will oversee green financing issues at Xiaomi.

- On the execution level, the Green Financing team, which constitutes executive managers across different business units as well as senior management within the Company, will convene on an annual basis to assess and select Eligible Projects based on the eligibility criteria outlined in the GFF’s Use of Proceeds section, to ensure alignment with this Framework.

The Green Financing team, consisting of members from Corporate Social Responsibility team, Investor Relations team, Finance team, Treasury team and chaired by our President, will report to the CGC on the current progress, project selection and future targets related to the Green Financing projects. The CGC will then evaluate and decide whether to approve the projects. After receiving the CGC’s final approval, the Green Financing team will be responsible for coordinating resources for the effective enforcement of these project plans.
Management of Proceeds

The net proceeds or an equivalent amount of net proceeds of any GFT issued under this Framework will be deposited in the Company's general account, which will then be earmarked for allocation to the Eligible Projects in accordance with this Framework. Net proceeds which are not yet allocated to Eligible Projects will be held in accordance with Xiaomi’s normal liquidity management policy. Xiaomi commits not to invest unallocated proceeds to high pollution activities or ineligible projects.

The CGC and Group Financial Controller will track the use of net proceeds or an equivalent amount of net proceeds of GFT issued under this Framework via its internal information system on an annual basis. Key information that will be included in relevant tracking reports, as appropriate, includes:

1. Terms of Funding Transaction
   - Issuer/borrower entity
   - Pricing, settlement, and maturity dates
   - Currency of denomination and amount then outstanding
   - Labelling (e.g. Green Bond, or Green Loan)
   - ISIN number (if applicable)

2. Allocation of Use of Proceeds
   - Name and description of Eligible Projects
   - Amount of GFT proceeds or an equivalent amount of GFT proceeds allocated to each project
   - The remaining balance of unallocated proceeds yet to be earmarked
   - Other relevant information such as information of temporary investment for unallocated proceeds

In case of divestments or if an Eligible Project (as defined above) no longer meets the Eligible Criteria (as defined above), the funds will be reallocated to other Eligible Projects.

Optimized packaging design reduced the use of raw packaging materials – 12% less plastics, 83% less paper and 40% less EPS foam.
Reporting & Assurance

Xiaomi will provide information on the allocation of the net proceeds of its GFT on Xiaomi's website and in the Company's Environmental, Social and Governance Report or the Green Bond Report. Such information will be provided on an annual basis until all the net proceeds have been fully allocated.

1. **Allocation Reporting**: Xiaomi will provide below information for the net proceeds of all GFT during the period:
   - The aggregate amount allocated to various Eligible Projects
   - The remaining balance of funds which have not yet been allocated and type of temporary investment
   - The proportion of net proceeds allocated to financing vs. refinancing
   - Examples of Eligible Projects (subject to confidentiality disclosures)

2. **Impact Reporting**: Where possible, Xiaomi will report on the environmental impacts resulting from Eligible Projects. Subject to the nature of Eligible Projects and availability of information, Xiaomi aims to include, but not limited to, the Impact Indicators listed on page 15.

**Assurance**: Xiaomi has engaged Sustainalytics to provide a Second Party Opinion ("SPO") on this Framework.
Where relevant, Xiaomi will report on the following key performance indicators (KPIs) in aggregate for the Eligible Projects:

<table>
<thead>
<tr>
<th>Eligible Project Category</th>
<th>Impact Indicators</th>
</tr>
</thead>
</table>
| Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes | ▪ CO₂ (or other GHG) emissions avoided (ton of CO₂e)  
▪ Total packaging materials reduced (ton)  
▪ Total plastic and film materials avoided/reduced (ton) |
| Energy Efficiency                                                                         | ▪ Energy savings in MWh  
▪ CO₂ (or other GHG) emissions avoided (ton of CO₂e) |
| Green Buildings                                                                           | ▪ Annual energy savings (kWh)  
▪ CO₂ (or other GHG) emissions avoided (ton of CO₂e)  
▪ Number and type of green building certifications  
▪ Annual reduction in water consumption (ton) |
| Clean Transportation                                                                      | ▪ CO₂ (or other GHG) emissions avoided (ton of CO₂e) |
| Pollution Prevention and Control                                                          | ▪ Amount of waste reused or recycled (ton or in % of total waste)  
▪ Amount of waste treated in an environmentally sound manner (ton) from Xiaomi's facilities |
| Renewable Energy                                                                         | ▪ Renewable energy generation (MWh) / capacity (MW)  
▪ Renewable energy capacity installed (MW)  
▪ CO₂ (or other GHG) emissions avoided (ton of CO₂e) |
Appendix
## Xiaomi’s Projects with Green Certification / Honors

<table>
<thead>
<tr>
<th>Green Certification / Honor</th>
<th>Award-winning Projects / Products</th>
</tr>
</thead>
</table>
| **Circular Economy and Design**                                                             | - Xiaomi AI Touchscreen Speaker  
- Redmi AI Speaker Play  
- Mi AI Speaker-S  
- Mi Kids Sonic Electric Toothbrush Retail Packaging  
- Mi Watch Retail Packaging  
- Mi Sports Bluetooth Headset Mini Retail Packaging |

- Red Dot Design Award  
  - Xiaomi AI Touchscreen Speaker  
  - Redmi AI Speaker Play  
  - Mi AI Speaker-S  
  - Mi Kids Sonic Electric Toothbrush Retail Packaging  
  - Mi Watch Retail Packaging  
  - Mi Sports Bluetooth Headset Mini Retail Packaging

- Five-Star product recognized by the Shenzhen Consumer Council and the Macao Consumer Council  
  - Mi AIoT Router AX3600

- Gold Award (Graphis Design Annual 2021 Competition)  
  - Mi Quad Driver In-ear Headphone

- A’ Design Award Gold Award  
  - Hailuo In-ear Headphone

- A’ Design Award Silver Award  
  - For India Product Packaging  
  - Xiaomi Watch Smart Watch

- Dieline Awards 2021 Electronics Packaging First Place  
  - Mi Watch Color Sport

- Pentawards Silver  
  - HIFI Hybrid Flagship Earphone Packaging Design  
  - Mi Watch Packaging Design

- Pentawards Bronze  
  - Mi Kids Sonic Electric Toothbrush Packaging Design
<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Circular Economy and Design</strong></td>
<td>---------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>iF Design Award</td>
<td>One Paper Box - Product Packaging System</td>
</tr>
<tr>
<td><strong>Energy Efficiency</strong></td>
<td>---------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>China energy label – Grade 1</td>
<td>Mi Refrigerator Dual Door 540L, Mi IH Rice Cooker 4L, Mi Internet Air Conditioner, Mi Internet Washer &amp; Dryer, Mi Smart Gas Stoke</td>
</tr>
<tr>
<td>China energy label – Grade 2</td>
<td>Mi Refrigerator Dual Door 483L, Xiaomi TV 4C 65 inch, Mi Smart Gas Stoke</td>
</tr>
<tr>
<td>China Energy Conservation Product Certification</td>
<td>Mi Curved Display 34 inches</td>
</tr>
<tr>
<td><strong>Green Buildings</strong></td>
<td>---------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>LEED Platinum (Building Operations and Maintenance)</td>
<td>Beijing Xiaomi Tech Park</td>
</tr>
<tr>
<td>Two-star Grade Certificate of Green Building Design Label under the Beijing Evaluation Standard for Green Building</td>
<td>Xiaomi Science and Technology Park</td>
</tr>
</tbody>
</table>