

Xiaomi Corporation

Type of Engagement: Annual Review

Date: June 07, 2022

Engagement Team:

Mahesh Krishnamoorthy, mahesh.krishnamoorthy@sustainalytics.com

Anirban Sengupta, anirban.sengupta@sustainalytics.com

Introduction

In 2021, Xiaomi Corporation (Xiaomi) issued a green bond aimed at financing projects that reduce Xiaomi's carbon footprint and improve the environmental impact of the Company. In 2022, Xiaomi engaged Sustainalytics to review the projects funded through the issued green bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the Xiaomi Corporation Green Finance Framework.¹ Sustainalytics has provided a second-party opinion² on the Framework in July 2021.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2021 green bond based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Xiaomi Corporation Green Finance Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Xiaomi Corporation Green Finance Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs while Table 2 lists the detailed findings.

Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs

Use of Proceeds	Eligibility Criteria	Key Performance Indicators (KPIs)
Eco-efficient and Circular Economy Adapted Products, Production Technologies and Processes	<p>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</p> <ul style="list-style-type: none"> • Reduction in energy and water consumption, as well as GHG emission <p>R&D expenditures related to facilitating the use of eco-efficient materials in its products and packaging, including but not limited:</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • CO₂ (or other GHG) emissions avoided (metric tons of CO₂e) • Total packaging materials reduced (metric tons) • Total plastic and film materials avoided/reduced (metric tons)

¹ The Xiaomi Green Finance Framework is available at Xiaomi Corporation's website at: <https://ir.mi.com/static-files/e6caf854-0a06-42a8-8a59-30a3831db153>

² Sustainalytics Second-party Opinion is available at Xiaomi Corporation's website at: <https://ir.mi.com/static-files/44c5771d-4a92-498a-9524-1c79c75b8481>

	<ul style="list-style-type: none"> Replacing existing phone components with bio-based or other recycled materials 	
Energy Efficiency	<p>Design, installation, development and operation of infrastructure that reduce energy consumption or avoid GHG emission in operations, including but not limited to:</p> <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Energy savings in MWh CO₂ (or other GHG) emissions avoided (metric tons of CO₂e)
Green Buildings	<p>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:</p> <ul style="list-style-type: none"> Chinese Green Building Evaluation Label (GBL) – Two stars or above U.S. Leadership in Energy and Environmental Design (LEED) – Gold or above Building Research Establishment Environmental Assessment Model (BREEAM) – Excellent or above BCA Green Mark – Gold or above 	<ul style="list-style-type: none"> Annual energy savings (kWh) CO₂ (or other GHG) emissions avoided (metric tons of CO₂e) Number and type of certification of green buildings Annual reduction in water consumption (metric tons)
Clean Transportation	<p>Expenditures related to investment in property, plant and equipment (PP&E), as well as R&D expenditures of alternative vehicles, sample projects including but not limited to:</p> <ul style="list-style-type: none"> Electric vehicle Electric scooters and electric self-balancing scooters 	<ul style="list-style-type: none"> CO₂ (or other GHG) emissions avoided (metric tons of CO₂e) in use phase per vehicle
Pollution Prevention and Control	<p>Promoting waste classification and instant waste conversion in order to mitigate its environmental impact</p> <p>Recycling domestic waste and kitchen waste in offices to reduce solid waste disposal</p> <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Amount of waste reused or recycled (metric tons or in % of total waste) Amount of waste treated in an environmentally sound manner (metric tons) from Xiaomi's facilities
Renewable Energy	<p>Expenditures related to new or existing renewable energy projects (solar and wind projects) or the associated transmission solutions</p>	<ul style="list-style-type: none"> Renewable energy generation (MWh) / capacity (MW) Renewable energy capacity installed (MW)

	<ul style="list-style-type: none"> Installation and operation of two sets of solar boiler systems in Xiaomi Science and Technology Park 	<ul style="list-style-type: none"> CO₂ (or other GHG) emissions avoided (metric tons of CO₂e)
--	--	--

Issuing Entity’s Responsibility

Xiaomi is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Xiaomi’s Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from Xiaomi employees and review of documentation to confirm the conformance with the Xiaomi Corporation Green Finance Framework.

Sustainalytics has relied on the information and the facts presented by Xiaomi with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Xiaomi.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of Xiaomi’s Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Xiaomi Corporation Green Finance Framework.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Xiaomi Corporation Green Finance Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Xiaomi Corporation Green Finance Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation Reporting by Eligibility Criteria

In July 2021⁴, Xiaomi Corporation issued a Green Bond, with the net proceeds to be USD 392.8 million. As of April 2022, Xiaomi has allocated 45.13% of the net proceeds, and intends to complete full allocation within the third year of the issuance. Of the eligible categories, 63.82% of the allocated net proceeds were used to finance new projects, while 36.18% were used to refinance existing projects. The table below provides a detailed break-up of the allocation of net proceeds category-wise.

Use of Proceeds Category	Overview of Projects	Amount Allocated (in million USD)	Percentage of Use of Proceeds (%)
Clean Transportation	Electric vehicle related expenses	96.73	24.63%
Green Buildings	Completion of qualified green buildings certifications: Xiaomi has confirmed that all the buildings in the green building portfolio are aligned with applicable green building standards.	78.58	20.01%
Energy Efficiency	Installation of energy-efficient facilities and smart energy management system	1.61	0.41%
Pollution Prevention and Control	Installation of waste conversion equipment	0.17	0.04%
Renewable Energy	Installation of solar boilers	0.17	0.04%
Total		177.26	45.13%
% Share of Financing		63.82%	
% Share of Refinancing		36.18%	

⁴ Xiaomi's information on its issuance can be accessed in its Annual Report which is available at: <https://ir.mi.com/static-files/b85f34c0-0010-4a8c-94b9-269d8cd4eca4>

Appendix 2: Impact Reporting by Eligibility Criteria

Use of Proceeds Category	Measured Impact
Clean Transportation	<ul style="list-style-type: none"> • CO₂e avoided: estimated to be 102-115 grams CO₂e per km per vehicle in use phase, compared with conventional gasoline vehicle of similar category
Green Buildings	<ul style="list-style-type: none"> • Energy saved: 465 MWh • CO₂e avoided: 283 metric tons • Water saved: 381 metric tons
Energy Efficiency	<ul style="list-style-type: none"> • Energy saved: 5,851 MWh • CO₂e avoided: 3,534 metric tons
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste treated: 4,548 metric tons • Amount of animal feeds and fertilizers converted: 444 metric tons
Renewable Energy	<ul style="list-style-type: none"> • Energy saved: 420 MWh • CO₂e avoided: 167 metric tons

Disclaimer

Copyright ©2022 Sustainalytics. All rights reserved.

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

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. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics 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. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit www.sustainalytics.com

Or contact us contact@sustainalytics.com

