

Green Transaction Evaluation

CIFI Holdings' US\$500 Million Green Bond

July 9, 2021

Transaction Overview

On May 17, 2021, CIFI Holdings (Group) Co. Ltd. (CIFI) issued US\$350 million in senior secured notes with a coupon of 4.45%, maturing on Aug. 17, 2026, and US\$150 million in senior secured notes with a coupon of 4.80%, maturing on May 17, 2028. This is CIFI's second green bond issuance since the company's first issuance in July 2020.

CIFI intends to use the aggregated proceeds to refinance four newly constructed green buildings in Shanghai, Changzhou, and Wuxi, all with a China Green Building Label two-star certification.

In our opinion, this transaction is aligned with the GBP 2018.

ANALYTICAL CONTACTS

Chloe Lin
+65 6216 1107
chloe.lin
@spglobal.com

Bertrand Jabouley
+65 6239 6303
bertrand.jabouley
@spglobal.com

Green Transaction Evaluation Overview

Transaction's Governance

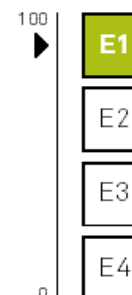
- Management of proceeds
- Impact assessment structure

Transaction's Transparency

- Use of proceeds reporting
- Reporting comprehensiveness

79

81



Overall Score

E1/86

Weighted aggregate of three
(Transparency + Governance +
Environmental Benefit)

Environmental Benefit

Environmental sector	→ Environmental project type	→ Environmental contribution hierarchy tier
Green Building	New build: Commercial	Sector specific solutions that are already compliant with a decarbonized green economy
Green Building	New build: Residential	Sector specific solutions that are already compliant with a decarbonized green economy

Project Description

CIFI was established in 2000 and primarily engages in property development and investment. The company requires all properties to meet at least the national one-star green building standard.

CIFI will use approximately 25% of the US\$500 million proceeds from the green bond to refinance two completed commercial projects in Shanghai, where the company has significant operations. The company will allocate the remaining 75% of the funding to refinance two existing residential buildings in Wuxi and Changzhou. All four green building projects have obtained China Green Building Label two-star certification.

At this stage, S&P Global Ratings is unable to provide an opinion of the resilience of the projects/assets to extreme weather and climate change as part of this Green Evaluation.

Scoring Summary

We scored the project E1/86, the highest rank on our scale of E1 to E4 for Green Transaction Evaluations. The score is a weighted average of the project's Transparency (79), Governance (81), and Environmental Benefit (90) scores. The excellent Environmental Benefit score reflects the meaningful environmental benefits from CIFI's green building projects. These benefits help to offset the relatively higher carbon intensity of the building sector in China. Both Transparency and Governance scores are solid owing to the company's commitment to report annually the management of issuance proceeds and the associated environmental impacts of the green assets.

In our opinion, this transaction aligns with the GBP 2018.

Rationale

- The excellent Environmental Benefit score (90) reflects CIFI's commitment to allocate funds exclusively to green buildings in

90

Shanghai, Changzhou, and Wuxi in China. We focus our assessment of green buildings' environmental benefits on carbon emissions they contribute to avoid, given their superior energy efficiency compared to older constructions. We rank green buildings in the third tier of our carbon hierarchy because of their contribution to the systematic decarbonization of the economy. The carbon hierarchy reflects our relative ranking of projects--from these that contribute to systemic decarbonization of the economy (e.g. green energy and energy efficiency) to these that improve fossil fuel's environmental efficiency, at the lower end of the spectrum. In addition, in formulating the Environmental Benefit score, we consider the net environmental benefits associated with the projects (i.e. intrinsic benefit within the green building category), based on the extremely high carbon intensity of the building sector in China, the highest on our five-point scale that ranges from low to extremely high.

- The robust Governance (81) and Transparency (79) scores primarily reflect the robust structure of the transaction, which provides strong proceeds' management. The issuer has an internal register to track funds, and a process piloted by the company's ESG working group (EWG) to direct the flow of funds exclusively to eligible projects.

Key Strengths And Weaknesses

The excellent Environmental Benefit score reflects CIFI's allocation of proceeds entirely to refinance newly completed green buildings in China. The building sector in China has extremely high carbon intensity because China relies extensively on coal to produce electricity (two third of the energy mix, according to the International Energy Agency). As a result, any reduction in energy intensity contributes to significant avoided greenhouse gas (GHG) emissions compared with non-green buildings in the country. We rank transaction benefits from new green building developments as high, in the third tier of our carbon hierarchy, since the technologies employed comply with a low-carbon economy.

Green Transaction Evaluation

The very strong Governance score (81) primarily reflects how CIFI's Green Finance Framework governs the allocation and management of proceeds. The company has established an internal register to track the use of proceeds, which an external auditor, Ernst & Young, verifies. The EWG, comprising senior representatives from various departments, screens projects to ensure alignment of selected ventures with the framework's criteria. The framework's requirement for green buildings to receive widely recognized certifications further supports our governance score.

The solid Transparency score (79) stems from CIFI's commitment to disclose annually the aggregate amount allocated to eligible projects until full proceeds allocation, and its comprehensive impact reporting. The associated environmental impacts of its green assets will be measured and disclosed throughout the economic life of the projects. The issuer relies on a set of advanced environmental indicators for impact disclosure on green buildings. These indicators cover energy savings, water usage savings, energy efficiency gains, and avoided greenhouse gas emissions.

A lack of disclosure on the methodology used for calculating the environmental performance metrics and the absence of an independent verification of CIFI's impact reporting temper these strengths.

In addition, while the buildings are certified against established industry standards, CIFI does not require that they comply with the highest green building categories. CIFI's Green Finance Framework sets a standard that all its eligible green buildings must reach at least two-star certification of China's Green Building Evaluation Label (GBL). GBL is a green building certificate program administered by the Ministry of Housing and Urban-Rural Development of the People's Republic of China (MOHURD) to grade eligible green projects into one (lowest) to three (highest) stars.

Second Opinion On Green Bond Principle Alignment

Based on our Transparency score of 79 and Governance score of 81, and that 100% of proceeds have or will be allocated to green projects, we expect this bond to meet the basics of the four pillars of the voluntary GBP given the issuer has committed to:

- Allocating the full amount of the net proceeds of bonds to eligible green projects as defined by the issuer;
- Using clear “green” criteria (as defined by the issuer) to select projects for funding;
- Managing and tracking proceeds (potentially using subaccounts); and
- Committing to regular reporting of environmental impact and use of proceeds.

A Green Transaction Evaluation is a point in time assessment and is not monitored

Project-Level Scores

Location	Sector	Project	KPI(s)	Benefit ranking	Hierarchy score and tier	Benefit score	Use of proceeds (mil. \$US)
China	Green Building	New build: Commercial	Carbon intensity	99	Score: 90 Tier: 3	93	123.4
China	Green Building	New build: Residential	Carbon intensity	86	Score: 90 Tier 3	89	376.6
Weighted average benefit score and total use of proceeds						90	500.0

Note: To disaggregate the score breakdown please refer to the Sustainable Finance External Reviews and Opinions Analytical Approach.

Carbon Contribution Hierarchy

	Project
Tier 2: Systematic decarbonization	Green energy: Wind power Green energy: Solar power Green energy: Small hydro Green energy: Large hydro (excluding tropical areas) Energy efficiency: Energy management and control
Tier 3: Significant decarbonization of key sectors through low-carbon solutions	Green transport without fossil fuel combustion Green buildings – new build
Tier 4: Decarbonization by alleviating emissions in intensive industries	Energy efficient projects (industrial efficiencies and energy star products) Green transport with fossil fuel combustion Green buildings refurbishment
Tier 8: Decarbonization technologies with significant environmental hazards	Nuclear power Green energy: Large hydro in tropical areas
Tier 9: Improvement of fossil fuel-based activities' environmental efficiency & impact	Fossil fuel power plants: Coal to natural gas Fossil fuel power plants: Cleaner fuel production Fossil fuel power plants: Cleaner use of coal

Green Transaction Evaluation

Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P) receives compensation for the provision of the Sustainable Finance External Reviews and Opinions product (Product). S&P may also receive compensation for rating the transactions covered by the Product or for rating the issuer of the transactions covered by the Product. The purchaser of the Product may be the issuer.

The Product is not a credit rating, and does not consider credit quality or factor into our credit ratings. The Product does not consider, state or imply the likelihood of completion of any projects covered by a given financing, or the completion of a proposed financing. The Product encompasses Framework Alignment Opinions and Transaction Evaluations. Types of Framework Alignment Opinions include: (i) Green Framework Alignment Opinion: a Green Framework Alignment Opinion provides a second opinion on alignment of a green financing framework with the International Capital Markets Assn.'s (ICMA's) "Green Bond Principles" and/or the Loan Market Assn.'s (LMA's), Loan Syndications and Trading Assn.'s (LSTA's) and Asia Pacific Loan Market Assn.'s (APLMA's) "Green Loan Principles"; (ii) Social Framework Alignment Opinions: a Social Framework Alignment Opinion provides a second opinion on alignment of a social financing framework with ICMA's "Social Bond Principles" and the LMA's, LSTA's, and APLMA's "Social Loan Principles"; and (iii) Sustainability Framework Alignment Opinions: a Sustainability Framework Alignment Opinion provides a second opinion on alignment of a sustainability financing framework with ICMA's "Green Bond Principles" and "Social Bond Principles", collectively referred to as the "Sustainability Bond Guidelines", as well as the LMA's, LSTA's, and APLMA's "Green Loan Principles" and "Social Loan Principles". Transaction Evaluations include Green Transaction Evaluations: a Green Transaction Evaluation provides a relative green impact score on instruments targeted at financing environmentally beneficial projects and may also include a second opinion on alignment of the instrument with ICMA's "Green Bond Principles" and/or the LMA's, LSTA's, and APLMA's "Green Loan Principles." The Product is a statement of opinion and is neither a verification nor a certification. The Product is a point in time evaluation reflecting the information provided to us at the time that the Product was created and published, and is not surveilled. The Product is not a research report and is not intended as such.

S&P's credit ratings, opinions, analyses, rating acknowledgment decisions, any views reflected in the Product and the output of the Product are not investment advice, recommendations regarding credit decisions, recommendations to purchase, hold, or sell any securities or to make any investment decisions, an offer to buy or sell or the solicitation of an offer to buy or sell any security, endorsements of the suitability of any security, endorsements of the accuracy of any data or conclusions provided in the Product, or independent verification of any information relied upon in the credit rating process. The Product and any associated presentations do not take into account any user's financial objectives, financial situation, needs or means, and should not be relied upon by users for making any investment decisions. The output of the Product is not a substitute for a user's independent judgment and expertise. The output of the Product is not professional financial, tax or legal advice, and users should obtain independent, professional advice as it is determined necessary by users.

While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Product. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for reliance of use of information in the Product, or for the security or maintenance of any information transmitted via the Internet, or for the accuracy of the information in the Product. The Product is provided on an "AS IS" basis. S&P PARTIES MAKE NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDED BUT NOT LIMITED TO, THE ACCURACY, RESULTS, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE WITH RESPECT TO THE PRODUCT, OR FOR THE SECURITY OF THE WEBSITE FROM WHICH THE PRODUCT IS ACCESSED. S&P Parties have no responsibility to maintain or update the Product or to supply any corrections, updates or releases in connection therewith. S&P Parties have no liability for the accuracy, timeliness, reliability, performance, continued availability, completeness or delays, omissions, or interruptions in the delivery of the Product.

To the extent permitted by law, in no event shall the S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence, loss of data, cost of substitute materials, cost of capital, or claims of any third party) in connection with any use of the Product even if advised of the possibility of such damages.

S&P maintains a separation between commercial and analytic activities. S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

For PRC only: Any "Sustainable Finance External Reviews and Opinions" or "assessment" assigned by S&P Global Ratings: (a) does not constitute a credit rating, rating, social financing framework evaluation or evaluation as required under any relevant PRC laws or regulations, and (b) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purpose of this section, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.
spglobal.com/ratings