

Second-Party Opinion

CMB Financial Leasing Co., Ltd.

Sustainable Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the CMB Financial Leasing Co., Ltd. Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, Green Loan Principles 2021, and Social Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Clean Transportation, Renewable Energy, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Access to Essential Services – are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles, and Social Loan Principles. Sustainalytics considers that investments in the eligible categories may reduce the environmental footprint of the company’s operation and provide social benefits in China and advance the UN Sustainable Development Goals (SDGs), specifically SDGs 3, 6, 7, 11 and 12.



PROJECT EVALUATION / SELECTION CMB Financial Leasing’s internal process in evaluating and selecting projects will be overseen by the Sustainability Finance Working Group (SFWG) which will be led by the Vice President of the company and will comprise of senior representatives from the Global Markets & Treasury, Strategy & Development, Credit Assessment and Asset Management Department. SFWG will review the allocation of proceeds in conformity with the Framework’s criteria on an annual basis. CMB Financial Leasing’s environmental and social risk assessment and mitigation process are applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be adequate.



MANAGEMENT OF PROCEEDS CMB Financial Leasing’s processes for management of proceeds will be managed by the Global Markets & Treasury Department and overseen by the SFWG. The use of proceeds will be tracked using an internal register. Pending allocation, unallocated proceeds will be invested in cash and cash equivalents or deposits. This is in line with market practice.



REPORTING CMB Financial Leasing intends to report on allocation of proceeds until full allocation and impacts of the proceeds until the maturity of the bond on an annual basis on its website. Allocation reporting will include information on eligible projects financed, proportion of financed and refinanced projects, amount of unallocated proceeds and details on temporary allocation. In addition, CMB Financial Leasing is committed to reporting on relevant impact metrics. Sustainalytics views CMB Financial Leasing’s allocation and impact reporting as aligned with market practice.

Evaluation Date August 13 , 2021

Issuer Location Shanghai, China

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Introduction

CMB Financial Leasing Co., Ltd. (“CMB Financial Leasing”, or the “Company”), established in 2008, is headquartered in Shanghai as a wholly owned subsidiary of China Merchants Bank (“CMB” or the “Group”). The Company provides financial solutions in ten sectors that includes aviation, shipping, energy, infrastructure, environment, health and culture-oriented tourism, and public transportation amongst others.

CMB Financial Leasing has developed the CMB Financial Leasing Co., Ltd. Sustainable Financing Framework (the “Framework”) under which it intends to issue sustainability bonds and/or loans and other form of debt financing such as convertible bonds, hybrid securities and securitized debt,¹ and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that lead to a reduction in greenhouse gas (“GHG”) emissions using renewable energy and clean transport, while also enabling access to healthcare in China.

The Framework defines eligibility criteria in four green areas:

1. Clean Transportation
2. Renewable Energy
3. Pollution Prevention and Control
4. Sustainable Water and Wastewater Management

The Framework defines eligibility criteria in one social areas:

1. Access to Essential Services

CMB Financial Leasing engaged Sustainalytics to review the CMB Financial Leasing Co., Ltd. Sustainable Financing Framework, dated August 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)², Green Loan Principles 2021 (GLP), and Social Loan Principles 2021 (SLP)³. This Framework has been published in a separate document.⁴

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ 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 Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021 and Social Loan Principles 2021, as administered by LMA, APLMA, and LSTA;
- 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 1.9.2, 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 CMB Financial Leasing’s management team to understand the sustainability impact of their business processes and planned

¹ For standard convertible bonds, once the conversion has occurred, the SPO is no longer valid for the assessed securities falling under this asset class. In the case of mandatory convertible bonds, net proceeds should be fully allocated prior to conversion date to be eligible.

² The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

³ The Green Loan Principles and Social 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/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

⁴ The CMB Financial Leasing Sustainable Financing Framework is available on CMB Financial Leasing Co., Ltd.’s website at: <https://www.cmb-leasing.com/#/frame/home>

⁵ 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.

use of proceeds, as well as management of proceeds and reporting aspects of the Framework. CMB Financial Leasing representatives have confirmed (1) they understand it is the sole responsibility of CMB Financial Leasing 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.

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

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 CMB Financial Leasing has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the CMB Financial Leasing Co., Ltd. Sustainable Financing Framework

Sustainalytics is of the opinion that the CMB Financial Leasing Co., Ltd. Sustainable Financing Framework is credible, impactful and aligns with the four core components of the SBG, GBP, SBP, GLP, and SLP. Sustainalytics highlights the following elements of CMB Financial Leasing's Sustainability Bond Framework:

- Use of Proceeds:
 - The eligible categories – Clean Transportation, Renewable Energy, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Access to Essential Services – are aligned with those recognized by the GBP, SBP, GLP, and SLP. Sustainalytics considers that the eligible categories are expected to reduce environmental footprint of CMB Financial Leasing's operations and provide social benefits in China.
 - CMB intends to fully allocate the net proceeds within two years of issuance, which Sustainalytics considers to be in line with the market practice. Sustainalytics notes that the Framework allows for the refinancing of OPEX but does not define a look-back period for such expenditures. Sustainalytics considers it to be market practice to define a look-back period of up to three years for the refinancing of OPEX.
 - Under the Clean Transportation category, CMB Financial Leasing intends to finance investment and expenditures towards electric powered transportation assets, systems, infrastructure, and components such as subways, mass rapid transit and urban light rail for public transport, electric public transport, and electric private vehicles. Sustainalytics considers CMB Financial Leasing's clean transportation criteria to be in line with market practice.
 - For the Renewable Energy category, CMB Financial Leasing may finance or refinance construction, operation and transmission from renewable energy sources such as offshore and onshore wind projects and solar projects. CMB Financial Leasing has confirmed that the transmission network will only be used for transmitting renewable energy. This is in line with market practice.

- Under Pollution Prevention and Control category, investments may include the development and operation of infrastructure and equipment for the prevention of air pollution,⁶ the reduction of waste through recycling and waste sorting facilities⁷, and emission-efficient waste to energy.⁸ Sustainalytics notes that for waste-to-energy projects, the issuer intends to limit financing to projects using municipal solid waste as feedstock and to ensure the segregation of recyclables prior to energy conversion. CMB Financial Leasing's investments in air pollution prevention, waste reduction and waste to energy projects are in line with market practice.
- The Sustainable Water and Wastewater Management category may finance and/or refinance the development and improvement of projects and infrastructure related to wastewater treatment facilities, water supply and management and urban drainage systems to be installed in the water treatment systems and network. Sustainalytics notes that CMB Financial Leasing commits to exclude financing for treatment of wastewater from fossil fuel operations.
- For the Access to Essential Services category, CMB Financial Leasing intends to invest in construction or expansion of public hospitals and provision of equipment to public hospitals that are intended to benefit the public by providing access to healthcare services that are accessible to all regardless of ability to pay.
- Sustainalytics notes that CMB Financial Leasing excludes financing of activities within certain sectors such as weapons and munitions, alcoholic beverages, tobacco, gambling and casinos, fossil fuel, product or activity involving harmful or exploitative forms of forced labor/harmful child labor and any product or activity considered illegal under relevant national and international regulations/bans such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, polychlorinated biphenyls, wildlife or products regulated under Convention on International Trade in Endangered Species.
- Project Evaluation and Selection:
 - CMB Financial Leasing has established a Sustainable Finance Working Group (SFWG), which will be led by the Vice President of the Company and will comprise of senior representatives from Global Markets & Treasury Department, Strategy & Development Department, Credit Assessment Department and Asset Management Department.
 - SFWG will be managing the Framework and review projects identified by Global Markets & Treasury Department on an annual basis. The environment and social credentials of the identified projects will be confirmed by relevant business partners and internal departments. SFWG will be the final approver of eligible projects.
 - CMB Financial Leasing has in place a process to assess environmental and social risk which are applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment and mitigation process to be adequate and to be aligned with market expectation. For additional detail see Section 2 of this document.
- Management of Proceeds:
 - Global Markets & Treasury Department will track the net proceeds using an internal register. The process is overseen by the SFWG.
 - The register will also include information about allocation of proceeds such as the name and description of eligible projects, allocation of proceeds to eligible projects, the balance of unallocated proceeds, and information on temporary investment for unallocated proceeds. Unallocated proceeds will be held in cash, cash equivalents or deposits subject to exclusion criteria.
 - Based on the presence of an internal tracking system and disclosure on temporary allocation of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - CMB Financial Leasing intends to report on the allocation until the full allocation of proceeds and impact of net proceeds until the maturity of the bond on its corporate website annually.
 - Allocation reporting will include the allocation amount by eligible project category and by geography and industry distribution, proportion between financing and refinancing, project examples and amount of unallocated proceeds and its temporary treatment.

⁶ CMB Financial Leasing confirms that air pollution reduction measures will exclude prevention of pollution from fossil fuel production or from operations primarily powered by fossil fuels.

⁷ CMB Financial Leasing confirms that waste recycling expenditures will exclude e-waste recycling.

⁸ Projects involving treatment of hazardous waste are excluded.

- In addition, where feasible, CMB Financing Leasing intends to report on relevant environmental and social impact indicators, including, type and number of clean transportation infrastructure built, annual GHG emissions reduced/avoided (tCO₂ e), annual renewable energy generation (MWh for electricity and GJ for other energy), waste reduced/avoided (tonnes), annual amount of fresh water conserved/water pollution avoided (litres), number of healthcare devices/facilities deployed and number of individuals/households benefitted.
- Based on the annual allocation and impact reporting commitment, Sustainalytics considers this process to be in line with market practice.

Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the CMB Financial Leasing Sustainable Financing Framework aligns with the four core components of the GBP, SBP, GLP, and SLP. For detailed information please refer to Appendix 1: Sustainability Bond/ Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of CMB Financial Leasing

Contribution of Framework to CMB Financial Leasing Co., Ltd. Sustainability Strategy

As a wholly-owned subsidiary of the Group, CMB Financial Leasing complies with the Group's ESG policies and systems. Sustainalytics notes the Group's strategy in the following section.⁹

CMB's environmental efforts include tackling climate change, supporting green operations and promoting green financial products to customers. In relation to green financial products CMB invests in green buildings, eco-friendly transportation and projects which result in industrial energy-saving, emissions reduction and water saving. CMB is also limiting investment to sectors which have high energy consumption and pollution. In 2020, CMB, following its strategy, diverted 102.6 billion RMB (15.74 billion USD) towards energy saving, green buildings and eco-friendly transportation projects. In 2020, CMB had invested in 69 energy-saving and eco-friendly projects, provided green loans towards industrial energy-saving, water-saving and eco-friendly projects resulting in emission reductions of 2185.8 ktCO₂. CMB also supported the development of China's green industries through various green financing mechanisms such as USD-denominated green bonds, sustainability bonds and green credit.

CMB's societal efforts include promotion of services that enable financial inclusion, facilitate poverty alleviation, support charities and encourage stakeholders' participation in social projects. In relation to promotion of financial inclusion during the pandemic, CMB opened dedicated credit lines to support pandemic prevention-related enterprises, lowered financing costs and deferred repayments of loan for enterprises and individuals facing challenges due to pandemic. CMB formulated the "CMB 2020 Poverty Alleviation Work Plan" to establish an institutional foundation for successful poverty alleviation work in Wuding and Yongren region of China. The poverty alleviation work of CMB includes education support to students and teachers, institutionalizing industrial support for increasing consumption of rural farm produce, cultural development and by increasing CMB Smart Rural Clinic and accessibility.

Sustainalytics is of the opinion that the CMB Financial Leasing Co., Ltd. Sustainable Financing Framework is aligned with the Parent company CMB's overall sustainability strategy and initiatives and will further the Company's action on its key environmental and social priorities.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes such as land use and biodiversity issues associated with large-scale infrastructure, waste generated and occupational health and safety risks linked with construction, Sustainalytics is of the opinion that CMB Financial Leasing is able to manage and/or mitigate potential environmental and social risks associated with the use of proceed activities by following the Group's processes as outlined below:¹⁰

- The Group performs disclosure according to Global Reporting Initiative and Hong Kong Exchange requirements. The group has established a green credit policy system and integrated climate change related risk considerations based on Task Force on Climate-Related Financial Disclosure (TCFD) recommendations and ESG concepts into its risk management processes. The risk management

⁹ China Merchants Bank, "Sustainability Report March 2021", at: <https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0319/2021031901430.pdf>

¹⁰ Ibid

processes rely on due diligence mechanisms, including (i) environmental and social impact assessments, (ii) thorough verification of permits and licenses required for operations that are highly polluting or handle hazardous chemicals, and (iii) third-party verifications to ensure compliance with national and industrial regulatory requirements.

- The Group actively tries to minimize or eliminate exposure to industries with high pollution or high energy consumption rates by implementing the following measures: (i) carrying out list-based classified management over existing customers in sectors they plan to exit, (ii) controlling new loans made to such industries, (iii) requiring organizations to meet national environmental protection standards, particularly on site selection, production process, resource consumption, and emissions, and (iv) applying a one-vote veto mechanism to organizations that have poor environmental and social performance.
- The Group also ensures that all its operations adhere to national environmental protection laws such as the Environmental Protection Law of People's Republic of China, the Energy Conservation Law of the People's Republic of China, the Law of the People's Republic of China on Prevention and Control of Environmental Pollution from Solid Waste.
- Furthermore, under the Framework CMB Financial Leasing has excluded assets and projects associated with environmentally and socially harmful activities as listed in the International Finance Corporation Exclusion List (2007).¹¹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that CMB Financial Leasing 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 five use of proceeds categories are aligned with those recognized by GBP, SBP, SBG, GLP and SLP. Sustainalytics has focused on a few below where the impact is specifically relevant in the local context.

Importance of Renewable Energy and Clean Transportation in meeting China's climate goals

In 2020, China was the largest producer of renewable electricity in the world, particularly solar and wind power.¹² By early 2020, renewable energy accounted for 40% of China's total installed electric power capacity, and 26% of total power generation.¹³ As per its updated Nationally Determined Contribution (NDC), China is expected to peak emissions before 2030 and aims to achieve carbon neutrality before 2060.¹⁴ To this effect, with respect to power generation, China has committed to raising its non-fossil fuel share of primary energy to 20% by 2025 and 25% by 2030, and increase the total installed capacity of solar and wind to 1,200 GW by 2030.¹⁵ To meet this goal, China plans to add at least 90 GW additional capacity to the grid in 2021 from its earlier installed solar and wind capacity of 535 GW in 2020.¹⁶

After the power sector, transportation is the second-largest contributor to China's CO₂ emissions, accounting for 9% of emissions in 2019 with road transport contributing to 70% of emissions in the sector.¹⁷ According to a study carried out by the Energy Research Institute of the National Development and Reform Commission (NDRC) in 2016, emissions from China's transport sector is expected to peak after 2035, five years later than China NDC's target.¹⁸ To counter this challenge, China has come up with a range of short and long-term policies, including electrification of the transport sector.¹⁹ Owing to the rapid development of battery

¹¹ IFC, "IFC Exclusion List", at: https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

¹² IEA, "Global Energy Review 2020: Report extract Renewables", (2020), at: <https://www.iea.org/reports/global-energy-review-2020/renewables>

¹³ China Energy Portal, "Tracking China's transition to sustainable energy", (2020), at: <https://chinaenergyportal.org/en/2019-electricity-other-energy-statistics-preliminary/>

¹⁴ Climate Action Tracker, "Country summary", (2021), at: <https://climateactiontracker.org/countries/china/>

¹⁵ Race to Zero, "China's net zero future", (2021), at: <https://racezero.unfccc.int/chinas-net-zero-future/>

¹⁶ Reuters, "China to add at least 90 GW wind and solar capacity to the grid in 2021", (2021), at: <https://www.reuters.com/business/sustainable-business/china-add-least-90-gw-wind-solar-capacity-grid-2021-2021-05-20/>

¹⁷ WRI China, "Toward Net Zero Emissions in the Road Transport Sector in China", (2019), at: https://www.wri.org.cn/en/publication/toward_net_zero_emissions_road_transport_sector_china_EN

¹⁸ WRI China, "Toward Net Zero Emissions in the Road Transport Sector in China", (2019), at: https://www.wri.org.cn/en/publication/toward_net_zero_emissions_road_transport_sector_china_EN

¹⁹ RMI, "How China Can Achieve Carbon-Neutral Transport by 2060", (2021), at: <https://rmi.org/how-china-can-achieve-carbon-neutral-transport-by-2060/>

technology in the past few years, transportation electrification is the most accessible and cost-effective clean transportation solution with the highest energy conversion rate.²⁰

Given the above, Sustainalytics positively views CMB Financial Leasing's investments in renewable energy and clean transportation, which are expected to support and continue improvement towards China's NDC goals.

Importance of access to healthcare in China

During the United Nations Millennium Development Goal (MDGs) era (2000 -2015), China made progress in improving its healthcare, particularly in the areas of children and women health.²¹ Subsequently, in 2016, the country adopted the 'Healthy China 2030' plan as part of its national aim of realizing the 2030 United Nations Sustainable Development Goals (UN SDGs).²² However, despite its progress in MDGs, China faces challenges in achieving the health-related SDGs. Data estimates in 2019 show China may only achieve 12 out of the 28 health-related SDG targets by 2030.²³ Moreover, these progresses have not been uniform across geography and gender with eastern provinces predicted to perform better than the central or western provinces, and women predicted to be more likely than men to achieve these targets by 2030.²⁴ In order to meet the 2030 targets, China would need to take a series of concerted actions, including more investments in public goods and health services and correcting the regional inequities by deploying adequate resources.²⁴

Based on the above, Sustainalytics is of the opinion that CMB Financial Leasing's investments in the expansion of healthcare infrastructure is expected to positively contribute to the country's access to healthcare.

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) issued under the CMB Financial Leasing Sustainable Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Pollution Prevention and Control	11. Sustainable Cities and Communities 12. Responsible Consumption and Production	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater

²⁰ GreenBiz, "A plan for a carbon-neutral transportation system in China", (2021), at: <https://www.greenbiz.com/article/plan-carbon-neutral-transportation-system-china>

²¹ Planipolis, "Report on China's Implementation of the Millennium Development Goals (2000-2015)", (2015), at: https://planipolis.iiep.unesco.org/sites/default/files/ressources/china_mdg_2015.pdf

²² Xinhua News Agency, "The Central Committee of the Communist Party of China and the State Council issued the Outline of the 'Healthy China 2030' Plan", (2016), at: http://www.gov.cn/zhengce/2016-10/25/content_5124174.htm

²³ Brookings, "The 5 problems China must tackle now to achieve the 2030 health SDGs", (2019), at: <https://www.brookings.edu/blog/future-development/2019/12/11/the-5-problems-china-must-tackle-now-to-achieve-the-2030-health-sdgs/>

²⁴ Plos Medicine, "Current situation and progress toward the 2030 health-related Sustainable Development Goals in China: A systematic analysis", (2019), at: <https://journals.plos.org/plosmedicine/article?id=10.1371/journal.pmed.1002975>

	12. Responsible Consumption and Production	and substantially increasing recycling and safe reuse globally 12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Access to Essential Services	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

Conclusion

CMB Financial Leasing has developed the CMB Financial Leasing Co., Ltd. Sustainable Financing Framework under which it intends to issue sustainability bonds and/or loans and other form of debt financing such as convertible bonds, hybrid securities and securitized debt, and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects in the following categories: (i) Clean Transportation, (ii) Renewable Energy, (iii) Pollution Prevention and Control, (iv) Sustainable Water and Wastewater Management, and (v) Access to Essential Services.

Sustainalytics considers the use of proceeds to be aligned with SBG, GBP, SBP, GLP, and SLP. CMB Financial Leasing intends to fully allocate the net proceeds within two years of issuance, which Sustainalytics considers to be in line with the market practice. The eligible categories are expected to reduce the environmental footprint of CMB Financial Leasing's operations and provide social benefits in China while also advancing the UN Sustainable Development Goals, specifically SDGs 3, 6, 7, 11 and 12.

Sustainalytics considers CMB Financial Leasing's project evaluation and selection process, management of proceeds and reporting to be aligned with market practice.

Given the above, Sustainalytics considers the CMB Financial Leasing Sustainable Financing Framework to be credible and impactful.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	CMB Financial Leasing Co., Ltd.
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	CMB Financial Leasing Sustainable Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 13, 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 and SBP:

- | | |
|--|--|
| <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 nd 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, Clean Transportation, Renewable Energy, Pollution Prevention and Control, Sustainable Water and Wastewater Management, and Access to Essential Services, are aligned with those recognized by the SBG, GBP, SBP, GLP, and SLP. Sustainalytics considers that the eligible categories are expected to reduce environmental footprint of CMB Financial Leasing's operations, provide social benefits in China, and advance the UN Sustainable Development Goals, specifically SDGs 3, 6, 7, 11 and 12.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input 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 checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input 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 GBPs | <input type="checkbox"/> Other (please specify): |

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

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CMB Financial Leasing's internal process in evaluating and selecting projects will be overseen by the Sustainability Finance Working Group (SFWG) which will be led by the Vice President of the company and will comprise of senior representatives from the Global Markets & Treasury, Strategy & Development, Credit Assessment and Asset Management Department. SFWG will review the allocation of proceeds in conformity with the Framework's criteria on an annual basis. CMB Financial Leasing's environmental and social risk assessment and mitigation process are applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be adequate.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green 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 Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

CMB Financial Leasing's processes for management of proceeds will be managed by the Global Markets & Treasury Department and overseen by the SFWG. The use of proceeds will be tracked using an internal register. Pending allocation, unallocated proceeds will be invested in cash and cash equivalents or deposits. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
|---|---|

- | | |
|--|---|
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

CMB Financial Leasing intends to report on allocation of proceeds until full allocation and impacts of the proceeds until the maturity of the bond on an annual basis on its website. Allocation reporting will include information on eligible projects financed, proportion of financed and refinanced projects, amount of unallocated proceeds and details on temporary allocation. In addition, CMB Financial Leasing is committed to reporting on relevant impact metrics. Sustainalytics views CMB Financial Leasing’s allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

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

Information reported:

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

Frequency:

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

Impact reporting:

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

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> | <input type="checkbox"/> |
| <input checked="" type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): |
| | <input type="checkbox"/> |

Categories	Example of Impact Indicators
Clean Transportation	<ul style="list-style-type: none"> • Number and type of clean transportation infrastructure built • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)

Renewable Energy	<ul style="list-style-type: none"> • Annual renewable energy generation (MWh for electricity) (GJ for other energy) • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste reduced/avoided (tonnes) • Annual GHG emissions reduced/avoided (tonnes of CO₂ equivalent)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual amount of fresh water conserved (litres) • Annual amount of water pollution avoided (litres)
Access to Essential Services	<ul style="list-style-type: none"> • Number of healthcare devices/facilities deployed • Number of individuals/households benefitted

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): 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.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
 Certification
 Verification / Audit
 Rating
 Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability 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 Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social 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 sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially 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 Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability 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, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability 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 and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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