

# Second-Party Opinion

## Haier Leasing Social Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the Haier Leasing Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Food Security and Sustainable Food Systems, Access to Essential Services, and Socioeconomic Advancement and Empowerment Financing – are aligned with those recognized by the Social Bond Principles 2021 that seek to improve access to healthcare and education and contribute to an inclusive society in China. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2,3, 4, 5, 8 and 10.



**PROJECT EVALUATION / SELECTION** Haier Financial Services China Co. Ltd's Social Bond Working Group ("Working Group"), led by the senior management of the Company and comprised of representatives of Strategy Development, MSME Finance, Agriculture & Food, Education & Culture, Medical & Healthcare, Risk Management and Financial Market Department, will select eligible social assets in accordance with the Framework. The Working Group will apply internal environment and social risk management systems to all allocation decisions made under the Framework, which Sustainalytics views as adequate. Sustainalytics considers the project evaluation and selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** Haier Financial Services China Co. Ltd's Risk Management and Financial Markets Departments are responsible for the management and allocation of proceeds, and will track the use of proceeds through a separate register. Pending allocation, unallocated proceeds will be used in money market instruments with market liquidity. This is in line with market practice.



**REPORTING** Haier Financial Services China Co. Ltd intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include the total amount of proceeds allocated to eligible projects and remaining balance of any unallocated funds. In addition, Haier Financial Services China Co. Ltd is committed to reporting on relevant impact metrics. This is aligned with market practice.

<b>Evaluation date</b>	May 17, 2022
<b>Issuer Location</b>	Shanghai, China

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## Introduction

Haier Financial Services China Co. Ltd (“Haier Leasing”, or the “Company”) is a wholly-owned subsidiary of Haier Financial Holdings under the Haier Group. Headed quartered in Shanghai, China, Haier Leasing provides financial solutions including leasing, business insurance, investment consulting services in smart manufacturing, medical and healthcare, education and culture, food and agriculture, and small and microfinance industry. Founded in 2013, to date, the Company has 283 employees and services across 28 provinces and regions across China.

Haier Leasing has developed the Haier Leasing Social Bond Framework (the “Framework”) under which it intends to issue social bonds and use the proceeds to finance in whole or in part, existing and/or future projects that are expected to deliver positive social impacts and promote financial inclusion in China. The Framework defines eligibility criteria in three areas:

1. Food Security and Sustainable Food Systems
2. Access to Essential Services
3. Socioeconomic Advancement and Empowerment Financing

Haier Leasing engaged Sustainalytics to review the Haier Leasing Social Bond Framework, dated May 2022, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).<sup>1</sup> This Framework has been published in a separate document.<sup>2</sup>

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>3</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

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

- The Framework’s alignment with the Social Bond Principles 2021, as administered by ICMA;
- 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 1.11, 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 Haier Leasing’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Haier Leasing representatives have confirmed (1) they understand it is the sole responsibility of Haier 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 Haier 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

<sup>1</sup> The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

<sup>2</sup> The Haier Leasing Social Bond Framework is available on Haier Financial Services China Co. Ltd’s website at: <http://www.haierfinancial.com/>

<sup>3</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

projects expected to be financed with bond 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. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond 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 Haier Leasing has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the Haier Leasing Social Bond Framework

Sustainalytics is of the opinion that the Haier Leasing Social Bond Framework is credible and impactful, and aligns with the four core components of the SBP. Sustainalytics highlights the following elements of Haier Leasing Social Bond Framework:

- Use of Proceeds:
  - The eligible categories – Food Security and Sustainable Food Systems, Access to Essential Services, and Socioeconomic Advancement and Empowerment Financing – are aligned with those recognized by the SBP. Sustainalytics considers that Haier Leasing's investments in eligible projects are expected to deliver positive social impacts and promote financial inclusion in China.
  - Under the Food Security and Sustainable Food Systems category, Haier Leasing may finance agricultural contract farming projects that focus on hiring and supporting local smallholder farmers<sup>4</sup>. In addition, the Company may provide financing to support the recovery of agriculture MSMEs<sup>5</sup> adversely impacted by COVID-19 and other animal epidemics. Sustainalytics notes that providing financing to smallholder contract farming projects has the potential to reduce socioeconomic barriers to market and financial access among small-scale producers and considers this category to be in line with market practice.
  - Under the Access to Essential Services category, Haier Leasing may finance expenditures that aim to improve access to education and healthcare services in counties or below administrative regions<sup>6</sup> that are rural or underdeveloped regions of the country. Potential expenditures may include the following :
    - Education: (i) Providing training and teaching materials such as books, educational equipment, hardware and software to faculty and (ii) expanding or upgrading higher education infrastructure, including purchase of land for new campuses, renovations of buildings and facilities, and purchase or upgrade of teaching equipment in public and private colleges and universities in counties or below administrative regions or where

<sup>4</sup> Haier Leasing follows FAO's definition for smallholder farmers, which defines smallholder farmers as those households with less than a threshold land size of two hectares or producers who operate a number of livestock falling in the first two quintiles of the cumulative distribution of the number of livestock per production unit at national level, and producers who obtain an annual economic revenue from agricultural activities falling in the first two quintiles of the cumulative distribution of economic revenues from agricultural activities per production unit at national level not exceeding 34,387 purchasing power parity dollars. FAO, Policies and Institutions to Support Smallholder Agriculture, available: <https://www.fao.org/family-farming/detail/en/c/425225/>

<sup>5</sup> National Bureau of Statistics of People's Republic of China, "Statistical Classification of Large, Medium, Small and Micro-sized Enterprises", 2017, available: [http://www.stats.gov.cn/tjsj/tjbz/201801/t20180103\\_1569357.html](http://www.stats.gov.cn/tjsj/tjbz/201801/t20180103_1569357.html)

<sup>6</sup> According to the Constitution of the People's Republic of China, the country's administrative units are currently based on a three-tier system - (i) The country is divided into provinces, autonomous regions and municipalities directly under the Central Government; (ii) Provinces and autonomous regions are divided into autonomous prefectures, counties, autonomous counties and cities; and Counties, autonomous counties and cities are divided into townships, ethnic minority townships, and towns. More information at:

[http://english.www.gov.cn/archive/china\\_abc/2014/08/27/content\\_281474983873401.htm](http://english.www.gov.cn/archive/china_abc/2014/08/27/content_281474983873401.htm)

more than 50% of students come from such regions. Additional investments may also include providing vocational training and continuing education programs. Haier Leasing has confirmed to Sustainalytics that there will be no significant difference in fees offered at private or public institutions that they invest in. Further, the Company also confirmed that they will ensure access to all regardless of their ability to pay. Sustainalytics considers enhancing access to education resources for underserved groups, as providing positive societal benefits and in line with market practice.

- Healthcare: Investments in infrastructure of public and private healthcare such as hospitals, community clinics, physical examination centers, elderly care institutions<sup>7</sup>, maternity and child health hospitals, and infectious diseases treatment centres. Haier Leasing has confirmed to Sustainalytics that in case of private healthcare and elderly care facilities, financing will be limited to those (i) designated as medical healthcare facilities where public health insurance is accepted and (ii) where costs are comparable to public facilities, ensuring minimal out-of-pocket expenses for patients.
  - Additional healthcare expenditures may also include investments in third party testing, medical personnel training institutions for COVID-19 related trainings, and distribution and logistics of basic medical equipments and medicine for eligible hospitals and healthcare institutions mentioned above. Further, the Company confirmed that distribution and logistics of medical equipment and medicines to private facilities will be limited to products that are (i) offered at the same price as public hospitals and (ii) covered by the public health insurance. Sustainalytics considers providing access to healthcare services and resources for underserved groups and people in underdeveloped regions as bringing positive social benefits and in line with market practice.
- Under the Socioeconomic Advancement and Empowerment Financing category, Haier Leasing may provide financing to micro, small and medium-sized enterprises (MSMEs)<sup>8</sup>, as well as women-owned MSMEs that are majority-owned (51%) by women or following the International Finance Corporation's (IFC) definition for women-owned business<sup>9</sup>. Sustainalytics considers the definition of target populations as aligned with market practice.
  - Sustainalytics notes that Haier Leasing will adopt IFC's Exclusion list<sup>10</sup>, ensuring that activities involving weapons, fossil fuels, radioactive materials, and forced and child labour are excluded from the Framework.
- Project Evaluation and Selection:
    - Haier Leasing will set up a dedicated Social Bond Working Group ("Working Group") to manage the internal process for reviewing and selecting of all eligible social assets. The Working Group will be led and managed by the senior management of the Company and comprised of representatives of Strategy Development, MSME Finance, Agriculture & Food, Education & Culture, Medical & Healthcare, Risk Management and Financial Market Department.
    - Haier Leasing will establish an environmental and social risks management system referencing international standards such as International Finance Corporation Performance Standards<sup>11</sup>, which will apply to all allocation decisions made under the Framework, which Sustainalytics views as adequate. For additional detail see Section 2.

<sup>7</sup> China has public medical insurance and pension insurance plan that can be used to cover medical and caring expenses in elderly care institutions. Ministry of Human Resources and Social Security of the People's Republic of China, Social Security, available: <http://www.gov.cn/fuwu/zt/shbz/ylbx.htm>

<sup>8</sup> National Bureau of Statistics of People's Republic of China, "Statistical Classification of Large, Medium, Small and Micro-sized Enterprises", 2017, available: [http://www.stats.gov.cn/tjsj/tjbz/201801/t20180103\\_1569357.html](http://www.stats.gov.cn/tjsj/tjbz/201801/t20180103_1569357.html)

<sup>9</sup> Haier Leasing has defined women-owned business following the IFC's definition which meeting one of the following: 51% owned by women; or at least have one female as CEO/COO/President/Vice President and at least 30% of the board members or senior management team members are women. IFC's Definitions of Targeted Sectors is available at:

[https://www.ifc.org/wps/wcm/connect/industry\\_ext\\_content/ifc\\_external\\_corporate\\_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors#:~:text=Woman%2DOwned%20Enterprise&text=\(B\)%20%E2%89%A5%20%25%20owned,women%2C%20where%20a%20board%20exists](https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/priorities/ifcs+definitions+of+targeted+sectors#:~:text=Woman%2DOwned%20Enterprise&text=(B)%20%E2%89%A5%20%25%20owned,women%2C%20where%20a%20board%20exists).

<sup>10</sup> International Finance Corporation, "IFC Exclusion List", at:

[https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist)

<sup>11</sup> International Finance Corporation, "Performance Standards", at:

[https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards)

- Based on the established process for project selection and presence of adequate risk management systems, Sustainalytics considers Haier Leasing's project evaluation and selection process to be in line with market practice.
- Management of Proceeds:
  - Haier Leasing's Risk Management and Financial Markets Departments are responsible for the management and allocation of proceeds and will track the proceeds raised through the Social Bond using a separate register. Haier Leasing intends to reach full allocation of proceeds within 6 months after issuance. Pending allocation, unallocated proceeds will be temporarily used in money market instruments with good credit rating and market liquidity until they are allocated to eligible social projects. Haier Leasing confirmed that unallocated proceeds will not be invested in highly polluting or energy-intensive projects.
  - Based on these measures, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - Haier Leasing intends to publicly report on allocation of proceeds on an annual basis until full allocation. The allocation reporting will include the total amount of proceeds allocated to eligible projects and remaining balance of any unallocated funds. In addition, the Company is committed to reporting on relevant impact metrics per eligible category such as number of farmers reached, number of students enrolled, number of patients served and number of jobs supported. For a full list of impact metrics, please refer to Appendix 1: Sustainability Bond Programme External Review Form.
  - Based on frequency and accessibility of allocation and impact reporting, Sustainalytics considers this to be in line with market best practice.

#### **Alignment with Social Bond Principles 2021**

Sustainalytics has determined that the Haier Leasing Social Bond Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of Haier Financial Services**

Sustainalytics is of the opinion that the Haier Leasing Social Bond Framework is aligned with the company's overall sustainability strategy and initiatives and will further the Company's action on its key social priorities.

#### **Contribution of Framework to Haier Financial Services China Co. Ltd's sustainability strategy**

Sustainalytics is of the opinion that Haier Leasing demonstrates a commitment to sustainability through its business strategy that prioritizes the financing of industries that address social needs in rural China, such as healthcare, education, agriculture and MSME finance.<sup>12</sup> Haier Leasing follows Haier Group's sustainability policies to ensure environmental protection, and occupational health and safety, details of which can be found in section 2.2.

As of March 2022, the Company has invested more than RMB 15 billion (USD 2.22 billion) in the food and agriculture industry, providing financial access, technologies, and equipment for improving food quality, safety and upgrading agriculture models in China.<sup>13</sup> In healthcare and education the Company has invested in healthcare services, preschool education, K-12 education as well as professional trainings in more than 28 provinces across China, with over RMB 16 billion (USD 2.37 billion) in healthcare and RMB 7 billion (USD 1.04 billion) in education respectively.<sup>14</sup> In addition, MSME finance lies at the core of Haier Leasing's business model. The company views financial inclusion to be the key to economic growth and has supported small and microfinance in the industry of medical equipment production, telecommunication, and food production<sup>15</sup> by

<sup>12</sup> Haier Financial Services, "Corporate Website", at: <https://www.haierfinancial.com/>

<sup>13</sup> Haier Financial Services, "Haier Business Mode", at: <https://www.haierfinancial.com/IndustryMode>

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

the end of March 2022, MSME financing had reached RMB 1.9 billion (USD 280.7 million) serving a total 981 MSME businesses.

However, the Company has not released a publicly accessible sustainability strategy or targets. Sustainalytics notes the importance of the Company's overall business strategy to prioritize industries that may contribute to positive social impacts and further its actions on supporting and financing investments in an inclusive economy but also encourages Haier Leasing to develop a company-wide sustainability strategy with transparent targets.

### **Approach to managing social and environmental risks associated with the projects**

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have a positive social impact. However, Sustainalytics notes that such eligible projects could also lead to negative environmental and social outcomes, such as those involving occupational health and safety, land use and biodiversity loss, emissions, effluents, and waste disposal associated with large-scale infrastructure development, community relations as well as the exacerbation of inequalities if underserved groups are not appropriately targeted.

Sustainalytics acknowledges that the activities financed under this Framework will not be carried out by Haier Leasing itself, but rather by the companies and individuals being financed. Nonetheless, Sustainalytics is of the opinion that Haier Leasing can manage or mitigate potential risks through the implementation of the following processes and policies of both the Company as well as Haier Group:

- Haier Leasing has communicated to Sustainalytics that it is in the process of developing an environmental and social risks management system (ESMS), in line with IFC's Environmental and Social Performance Standards.<sup>16</sup> The ESMS will include sectoral level tools to manage environmental and social risks associated with eligible projects, including occupational and safety risks in line with China's national law requirements, as well as IFC's requirements on labour and working conditions and mitigation of human rights risks. In addition, the ESMS will categorize risk levels (low to high) and implement risk management procedures based on the risk categorization, which will include reporting and stakeholder engagement on identified environmental and social impacts. Moreover, the Company has adopted the IFC exclusionary list to further safeguard investments.<sup>17</sup>
- Haier Group has policies on occupational health and safety (OH&S) to evaluate and mitigate project level occupational health risks. The internal occupational health policies follow the Hong Kong Occupational Safety and Health Ordinance and are accredited with ISO 45001:2018, which specifies requirements for OH&S management systems to provide safe and healthy workplaces, prevent work-related injury and ill health, and proactively improve OH&S performance.<sup>18</sup>
- As part of China's Environmental Impact Assessment Act, all projects related to construction, reconstruction, expansion and refurbishing must conduct an environmental risk assessment during the initial phase of project design and feasibility analysis. The act stipulates that the assessment must include the identification of key risk factors related to air, water, soil pollution, biodiversity and human health. According to Chinese law, all companies are required to undergo an assessment by an independent and certified environmental impact assessment to avoid potential conflict of interest.<sup>19</sup> To minimize emissions and waste from operations, Haier Group complies with China's environmental protection laws and regulations, such as the Environmental Protection Law of the People's Republic of China.<sup>20</sup> The Company has also internal procedures and systems in place, such as pollutant control procedures and hazardous waste management procedures.
- Haier Group engages in active stakeholder partnerships with governments and local stakeholders to maintain stable neighbourhoods and promote well-being in the communities where it operates through a system where aggrieved parties and other stakeholders to engage directly with the Company in person, at project hearings, over the phone, in writing or digitally.<sup>21</sup>

<sup>16</sup> "Haier Leasing Social Bond Framework", available on Haier Financial Services China Co. Ltd' website at: <http://www.haierfinancial.com/>

<sup>17</sup> 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](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist)

<sup>18</sup> ISO 45001:2018 Occupational health and safety management systems, at: <https://www.iso.org/standard/63787.html>

<sup>19</sup> Zhengzhou Foreign-funded Enterprise Service Center, "Environmental Impact Assessment Law of the People's Republic of China", at: <https://www.waizi.org.cn/law/11686.html>.

<sup>20</sup> Environmental Protection Law of the People's Republic of China, at: <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/92655/108043/F315004188/CHN92655%20Eng.pdf>

<sup>21</sup> Haier, "Environmental, Social and Governance Report", (2019), at: <https://imagegroup1.haier.com/global/csr/W020200721604461031955.pdf>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Haier 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 three use of proceeds categories are aligned with those recognized by the SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

#### Importance of access to education and healthcare in China

##### Education

In China, the literacy rate stands at 97%<sup>22</sup> ahead of the global average of 86.4% as estimated by the World Bank.<sup>23,24</sup> The Chinese education system has undergone continuous reform since the 1980s and is now the largest education system in the world with 400 million students. During this time, the percentage of high school graduates who go on to attend university tripled from 20% to 60%.<sup>25</sup> The education system is steered by the Ministry of Education which provides nine years of compulsory education free of cost. However, in some underdeveloped provinces such as Qinghai and Guizhou, the illiteracy rate was between 8-10% in 2020, when China's average illiteracy rate was 3.26%.<sup>26</sup> To address this, the government's 14<sup>th</sup> Five-year plan (2021-2025) focuses on improving the quality of compulsory and higher education, promoting educational equity in poverty-stricken areas largely inhabited by ethnic minorities and remote areas, ensuring access to education in rural areas, and low-income households and enhancing the competence of teachers.<sup>27</sup> The Chinese government has established the Compulsory Education School Management Standards that outline the basic requirements for the management of schools providing compulsory education to ensure access to high-quality free education.<sup>28</sup>, where an average illiteracy rate of 3.26%.<sup>29</sup>

##### Healthcare

The three main problems faced by the Chinese healthcare sector include rural-urban disparity related to access to healthcare, tertiary hospitals being overburdened and a clear shift in the needs of patients as a result of China's ageing population. Moreover, rural clinics in China are seen to be usually understaffed, undersupplied and underutilized, thereby pushing people to travel to bigger cities for treatment. As a result, tertiary hospitals in large cities, which are ideally meant for specialized treatment, are typically overcrowded.<sup>30</sup> This uneven distribution of resources and lack of access in remote areas often leads to high cost of healthcare services in China. To address this, the government promotes the provision of cost-effective public health programmes and facilitates its investments in healthcare delivery networks<sup>31</sup> According to Healthy China 2030 plan launched by the Chinese government in 2016, China is committed to promoting equal and fair access to healthcare services. The plan includes new directives oriented towards providing high-quality and efficient medical services, disease prevention and the improvement of access and quality of health services to targeted population groups.<sup>32</sup>

Based on the above, Sustainalytics is of the opinion that Haier Leasing's investments in the expansion of education and healthcare infrastructure and services are expected to improve China's access to good-quality education and healthcare services, particularly in remote areas and among vulnerable groups.

<sup>22</sup> The literacy rate is defined as the population aged 15 and above who can read and write.

<sup>23</sup> China Mike, "Education in China – Interesting Facts & Figures", (2020) at: <https://www.china-mike.com/facts-about-china/facts-chinese-education/>

<sup>24</sup> World Bank, Literacy Rate (2019) at: <https://data.worldbank.org/indicator/SE.ADT.LITR.ZS>

<sup>25</sup> Ibid

<sup>26</sup> Statista, Illiteracy rate in China in 2020, by region, 2020, available: <https://www.statista.com/statistics/278568/illiteracy-rate-in-china-by-region/>

<sup>27</sup> 9 The People's Government of Fujian Province, "Outline of the 14th Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of the People's Republic of China" at: [https://www.fujian.gov.cn/english/news/202108/t20210809\\_5665713.htm](https://www.fujian.gov.cn/english/news/202108/t20210809_5665713.htm)

<sup>28</sup> Ministry of Education, People's Republic of China, "Review of China's education reform in 2017", (2018), at:

[http://en.moe.gov.cn/News/Top\\_News/201801/t20180130\\_326023.html](http://en.moe.gov.cn/News/Top_News/201801/t20180130_326023.html)

<sup>29</sup> Statista, "Illiteracy rate in China in 2020, by region", 2020, available: <https://www.statista.com/statistics/278568/illiteracy-rate-in-china-by-region/>

<sup>30</sup> Collective Responsibility, "Chinese Healthcare: Challenges and Opportunities" (2018) at: <https://www.coresponsibility.com/chinese-healthcarechallenges-opportunities/>

<sup>31</sup> The World Health Organization, "People's Republic of China Healthcare Review", (2015), at:

[http://www.searo.who.int/entity/asia\\_pacific\\_observatory/publications/hits/hit\\_china/en/](http://www.searo.who.int/entity/asia_pacific_observatory/publications/hits/hit_china/en/)

<sup>32</sup> Tan X, 2017, "Healthy China 2030: A Vision for Health Care", Since Direct, at: [https://www.ispor.org/docs/default-source/publications/newsletter/commentary\\_health-care\\_china\\_2030.pdf](https://www.ispor.org/docs/default-source/publications/newsletter/commentary_health-care_china_2030.pdf)

### 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 Haier Leasing Social Bond Framework advances the following SDG(s) and target(s):

Use of Proceeds Category	SDG	SDG targets
Food Security and Sustainable Food Systems	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round
Access to Essential Services	3. Good Health and Wellbeing	3.1 By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births  3.3 By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases  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
	4. Quality Education	4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all
Socioeconomic Advancement and Empowerment Financing	5. Gender equality	5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic and public life
	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation,

	<p>10. Reduced Inequality</p>	<p>and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</p>
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## Conclusion

Haier Leasing has developed the Haier Leasing Social Bond Framework under which it may issue social bonds and use the proceeds to finance projects in the following categories: Food Security and Sustainable Food Systems, Access to Essential Services and Socioeconomic Advancement and Empowerment Financing. Sustainalytics considers that the projects funded using proceeds from the instruments issued under the Framework are expected to deliver positive social impacts and promote financial inclusion in China.

The Haier Leasing Social Bond Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for Haier Leasing to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Haier Leasing Social Bond Framework is aligned with the overall sustainability strategy of the Company and that the use of proceeds categories are expected to contribute to the advancement of the UN Sustainable Development Goals 2,3,4,5, 8 and 10. Additionally, Sustainalytics is of the opinion that Haier Leasing has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Haier Financial Services China Co. Ltd is well-positioned to issue social bonds and that Haier Leasing Social Bond Framework is robust, transparent, and in alignment with the four core components of the Social Bond Principles (2021).

## Appendix

### Appendix 1: Social Bond/ Social Bond Programme -External Review Form

#### Section 1. Basic Information

Issuer name: Haier Financial Services China Co. Ltd

Social Bond ISIN or Issuer Social Bond Framework Name, if applicable: Haier Leasing Social Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: May 17, 2022

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 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 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                                |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds – Food Security and Sustainable Food Systems, Access to Essential Services, and Socioeconomic Advancement and Empowerment Financing – are aligned with those recognized by the Social Bond Principles 2021 that seek to improve access to healthcare and education and contribute to an inclusive society in China. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2,3, 4, 5, 8 and 10.

#### 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 checked="" type="checkbox"/> Food security   | <input checked="" 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):

Haier Financial Services China Co. Ltd's Social Bond Working Group ("Working Group"), led by the senior management of the Company and comprised of representatives of Strategy Development, MSME Finance, Agriculture & Food, Education & Culture, Medical & Healthcare, Risk Management and Financial Market Department, will select eligible social assets in accordance with the Framework. The Working Group will apply internal environment and social risk management systems to all allocation decisions made under the Framework, which Sustainalytics views as adequate. Sustainalytics considers the project evaluation and selection process to be in line with market practice.

#### Evaluation and selection

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's social 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 Social Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available
- Other (please specify):

#### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification
- In-house assessment
- Other (please specify):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Haier Financial Services China Co. Ltd's Risk Management and Financial Markets Departments are responsible for the management and allocation of proceeds, and will track the use of proceeds through a separate register. Pending allocation, unallocated proceeds will be used in money market instruments with market liquidity. This is in line with market practice.

#### Tracking of proceeds:

- Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

#### Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

### 4. REPORTING

Overall comment on section (if applicable):

Haier Financial Services China Co. Ltd intends to report on allocation of proceeds on its website on an annual basis until full allocation. The allocation reporting will include the total amount of proceeds allocated to eligible projects and remaining balance of any unallocated funds. In addition, Haier Financial Services China Co. Ltd is committed to reporting on relevant impact metrics. This is aligned with market practice.

#### Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis

- Linkage to individual bond(s)                       Other (please specify):

**Information reported:**

- Allocated amounts                                       Social Bond financed share of total investment
- Other (please specify):  
Remaining balance of unallocated amounts

**Frequency:**

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

**Impact reporting:**

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

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

- Number of beneficiaries                                       Target populations
- Other ESG indicators (*please specify*): number of farmers reached, average agricultural yield, total sales, number of students enrolled, graduation rate of educational institutions invested, number of operation and service jobs created, number of patients served and number of jobs supported, number of women in senior management, number of female business owners, female direct jobs supported

**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): This will be publicly shared on their 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:**

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

**Review provider(s):**

**Date of publication:**

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

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

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