

Citi ESG

Business Plan



NKU Team

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1 Executive summary

1.1 Platform overview

Citi ESG, founded in early 2022, is a platform based on machine learning training to provide investors with corporate ESG performance ratings.

Citi ESG aims to objectively and comprehensively evaluate the ESG performance of a company and help investors identify the degree of inclusion and diversity of the company, so as to help investors make more effective investment decisions.

The services include ESG rating, investment decision consultation, enterprise management consultation, promotion of enterprises to be invested, recommendation of enterprises to invest and other professional services.

Since its inception, Citi ESG has been committed to becoming a leader in the ESG rating industry by providing customers with comprehensive, integrated and convenient services based on the service tenet of "professional, comprehensive and responsible".

1.2 Products and Services

Citi ESG not only provides ESG rating report for customers, but also provides a series of value-added services, such as investment decision consulting, enterprise management consulting, enterprise promotion and investment enterprise recommendation.

Citi SEG attracts customers for long-term cooperation based on The credit of Citibank, and provides more benefits to partners to attract potential Customers of Citibank.

1.3 Market analysis

1.3.1 Target market selection

The CITI ESG platform is targeted at individuals and institutional investors who prefer sustainable investments.

1.3.2 Market plan

Considering the current market competition is relatively fierce and the special nature of the market is changing rapidly, the R&D team will continue to conduct market investigation and analysis from all angles and develop corresponding marketing strategies according to different development periods and specific market conditions in order to meet the needs of consumers in different periods and at the same time ensure the market position of this platform.

Combined with our team's investigation and analysis of the market and trend forecast, we will invite investors who have entered into cooperation with Citibank to enter this platform in the initial stage of operation. During the development period, we will expand the range of industry indicators and the scale of the platform to provide customers with more diversified choices and thus build customer loyalty. The maturity phase will build on the above foundation to further improve the mutually beneficial business model between the platform and investors and further consolidate market share.

1.4 Business strategy

1.4.1 Overview of business models

On the one hand, Citi ESG provides ESG ratings for investors who prefer to invest in companies that fit the ESG strategy to help identify companies that are more inclusive and diverse. Citi ESG, on the other hand, provides corporate management advice to prospective investors and connects them with investors. This increased the customer base of Citibank and its friends, and provided relatively convenient and affordable ESG rating service for customers, ultimately enabling customers, major cooperative companies and Citibank to obtain high profits.

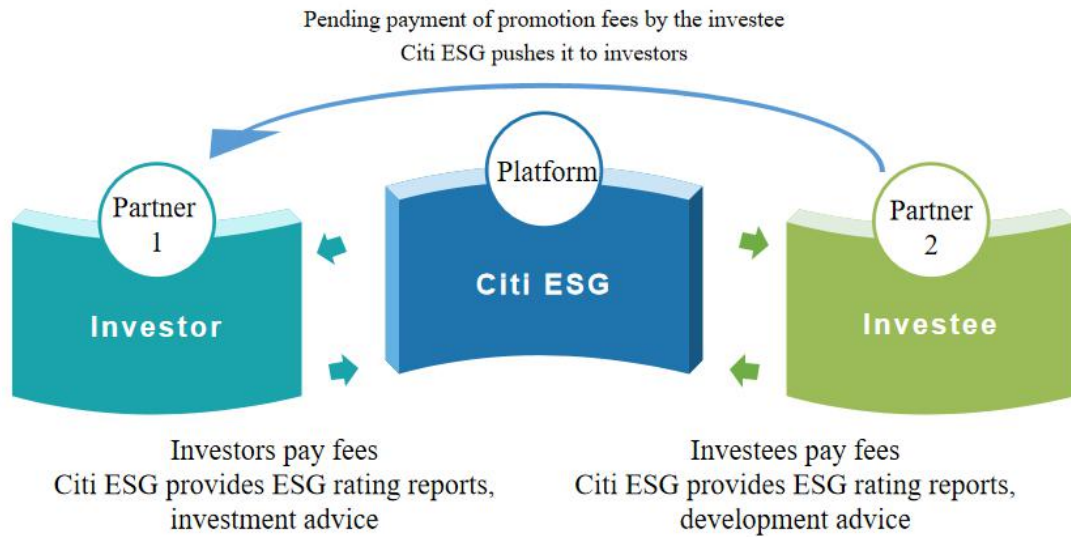


Figure: Business model diagram

1.4.2 Marketing strategy

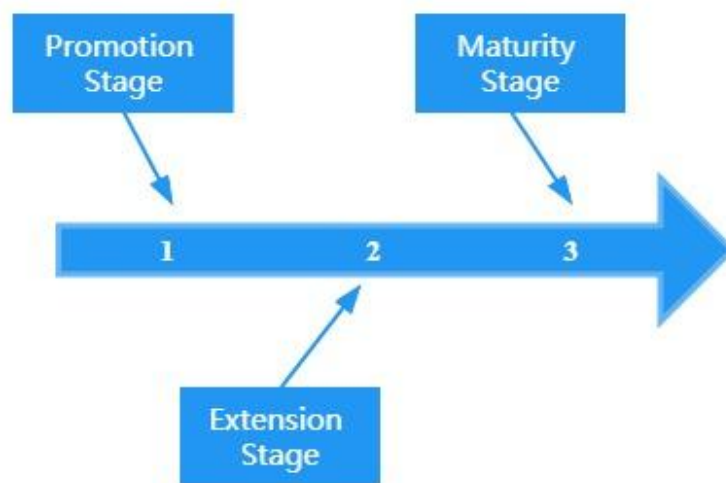


Figure: Stage marketing step diagram

1.5 Investment and Finance

The company will initially invest \$1.2 million in platform construction, user experience improvement and equipment upgrade. In this section, we use the balance sheet, income statement, and cash flow statement for the next five years to illustrate the projected financial situation of our company. The comprehensive financial

analysis shows that our company's revenue, productivity and growth indicators are all relatively strong. The analysis forecasts that the company will have an embedded payback of 68% in 2022. The payback period is 1.49 years and the average payback is 126.93%. Sensitivity analysis shows that the project has a strong risk-taking capacity.

1.6 Risk management

In order to ensure the long-term competitiveness of Citi ESG platform, this part will identify risk factors of Citi ESG platform from four aspects: macro environment, market operation, technology operation and platform architecture, and implement certain risk control measures before risk events occur.

1.7 Team to introduce

The platform development team is composed of 10 outstanding college students. The team members have profound business knowledge and programming background, rich practical experience, and are full of innovation spirit, keen observation and social responsibility. Team members have outstanding communication, leadership and execution skills, strong cooperation ability, and mutual trust, long-term cooperation and deep feelings among them. The team relies on the rich resources of the School of Finance, the School of Artificial Intelligence and the School of Mathematics, and has a strong consulting team.

1.8 conclusion

Citi ESG enters the market with the development mode of multi-party cooperation under the condition that the ESG evaluation market is large but not fully developed, breaking the limitations of THE ESG evaluation market, with a huge market and broad development prospect. The platform development team has strong comprehensive ability, innovative business strategy and strong executability.

2 Platform is introduced

2.1 Web profile

2.1.1 Main Functions

Browse existing ESG Performance Appraisal Reports: Users can search the website for completed ESG performance reports of the enterprise.

Upload data to evaluate enterprise ESG performance: Users can upload enterprise data to evaluate ENTERPRISE ESG performance.

2.1.2 Function display

(1) Home page

Users can log in by clicking the button in the upper right corner of the home page. Unregistered users can click the registration button to jump to the registration page and register by email. Registered users can enter their email addresses and passwords for quick login.



After login, a website introduction and a list of existing reports are displayed on the home page. Users can swipe up or down to view ESG reports by industry, and double-click the name to access the detailed report page.


HOME INDUSTRY COMPANY EVALUATE SHARE WHO WE ARE

200+

03

15

111

公司

评价维度

分析方面

指标

机器学习+熵权法



- 机器学习打分评级

平台使用机器学习训练技术，可以通过识别并模拟社会责任报告，自动生成ESG评级。


HOME INDUSTRY COMPANY EVALUATE SHARE WHO WE ARE

关于我们 citi ESG 成长历程

Citi ESG，成立于2022年初，是一个基于机器学习训练建立的为投资者提供公司ESG绩效评级的平台。

Citi ESG旨在客观全面地对公司ESG绩效进行评价，帮助投资者甄别公司的包容性和多样性程度，从而帮助投资者更有效地进行投资决策。

服务内容包括公司ESG评级、投资决策咨询、企业管理咨询、待投资企业推广、投资企业推荐等专业服务。

自创立以来，Citi ESG本着“专业、全面、尽责”的服务宗旨，为客户提供全方位、一体式的便利服务，致力于成为ESG评级行业的领军人。

200+





(2) Querying existing reports

Users can directly enter the search list by industry by clicking "Industry" on the task bar of the home page or clicking "Learn more" under the rating results on the home page.

评级结果



• 评级结果可视化

评估结果呈现界面简洁美观、清晰易懂。平台通过动态图表呈现绩效评估结果，同时辅以颜色、特殊动态符号等标识对关键结果进行强调。

了解更多

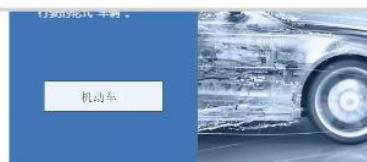
Users can click the industry to view the corresponding enterprises in the industry.

13 行业

- 能源
- 化工
- 材料
- 运输
- 机械设备
- 服务业
- 信息通讯
- 批发/零售
- 消费品
- 医疗保健
- 房地产
- 金融
- 公用事业



- 运输
- 机械设备
- 服务业
- 信息通讯
- 批发/零售
- 消费品
- 医疗保健
- 房地产
- 公用事业



Click the enterprise that you want to query the ESG performance to jump to the ESG performance display page of the enterprise.



You can download the enterprise ESG rating file at the bottom of the screen.



(3) Upload report evaluation

Users can directly click "EVALUATE" on the task bar of the home page or click "one-click Evaluation" under "Pratt & Whitney - Independent Evaluation" on the home page to enter the upload report evaluation interface.



Users can fill in the enterprise indicator data according to the text guide on the web page.

提供您的公司信息

环境管理实践 (选填)

每百万元营收温室气体排放 (吨)

每百万元营收温室气体排放 (吨)

每百万元营收挥发性有机化合物排放量 (吨)

每百万元营收废水排放量 (吨)

每百万元营收悬浮粒子与颗粒物排放量 (吨)

每百万元营收排放的化学需氧量 (吨)

每百万元营收氨氮排放量 (吨)

每百万元营收用电量 (千瓦时)

每百万元营收能源消耗量 (吨标准煤)

每百万元营收天然气使用量

社会管理实践 (选填)

Or upload enterprise annual report and social responsibility report and other relevant materials.

提供您的公司信息

环境管理实践 (选填)

每百万元营收温室气体排放 (吨)

每百万元营收温室气体排放 (吨)

每百万元营收挥发性有机化合物排放量 (吨)

每百万元营收废水排放量 (吨)

每百万元营收悬浮粒子与颗粒物排放量 (吨)

每百万元营收排放的化学需氧量 (吨)

每百万元营收氨氮排放量 (吨)

每百万元营收用电量 (千瓦时)

每百万元营收能源消耗量 (吨标准煤)

每百万元营收天然气使用量

社会管理实践 (选填)

董事会成员出席率 (%)

是否符合上市

每百万元营收向管理方销售产品规模 (万元)

每百万元关联方向上市公司提供资金 (万元)

前十大股东持股比例

高管持股比例 (%)

关联方销售和采购比例

是否VIE架构

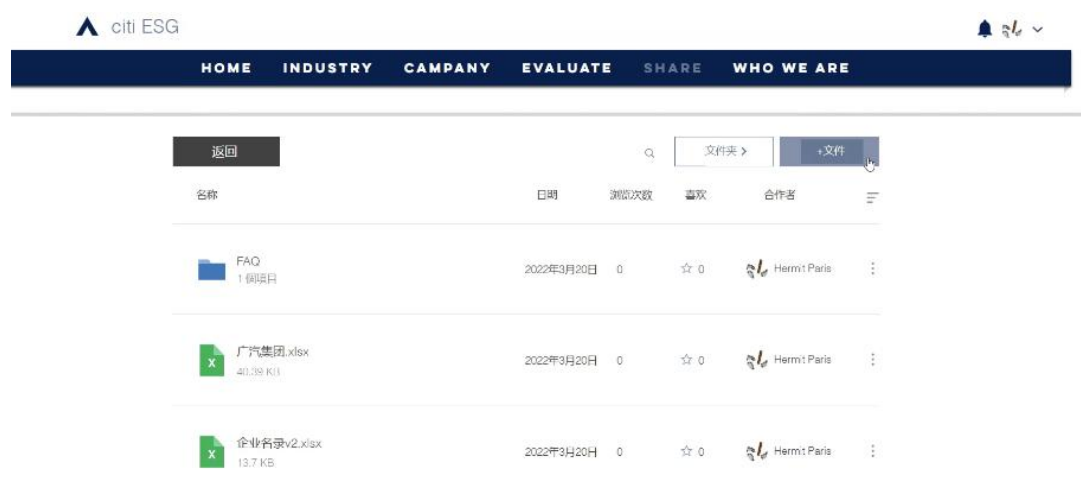
审计委员会会议次数 (次)

薪酬委员会会议次数 (次)

上传文件 >

确认

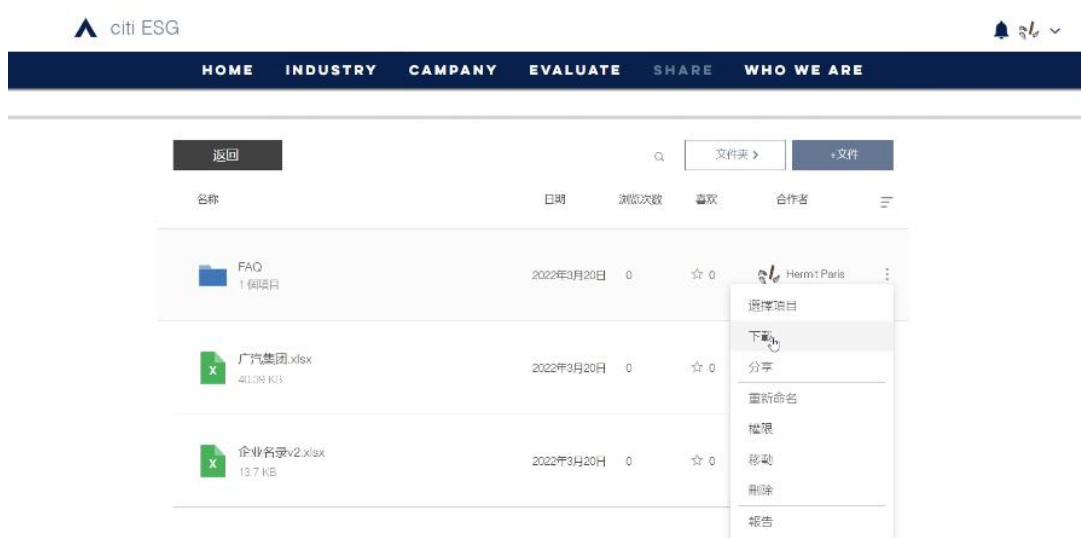
After clicking the submit button, the Citi ESG platform system will automatically evaluate THE ESG performance based on the uploaded corporate data. When the evaluation is complete, the platform notifies the user. The evaluation results are automatically sent to the user's email address.



(4) Download enterprise Report

Users can directly click "SHARE" on the task bar of the home page to enter the interface for downloading enterprise reports.

On this screen, you can save the report collection of each enterprise. Users can right click the folder and then click Download to download the enterprise's report collection (such as annual report, semi-annual report, etc.).



(5) Personal center

Users can click the icon in the upper right corner of the home page to enter the personal center. If the customer has logged in, the personal center interface will display the basic information submitted by the user when registering the account. The customer can also click the Modify button to modify the information. If logged in

customers want to log out, they can click the Log out button to quickly and easily log out of Citi ESG platform.

Users can view the notifications sent by the platform on the personal center page.



(6) feedback

In the feedback interface, users can upload photos or text to the Citi ESG platform to put forward their difficulties in using the Citi ESG platform, and the Citi ESG platform staff will remotely provide detailed answers to the difficulties encountered by users in using the Citi ESG platform. The Feedback interface allows users to upload their suggestions for the development of the Citi ESG platform, which is regularly reviewed and maintained and upgraded.



(7) Business cooperation

The website provides the contact information for users to conduct business negotiations with Citi ESG platform. Merchants can contact the background staff of Citi ESG platform through the contact information on the interface for business cooperation.

3 Platform advantages

1.ESG evaluation results are more scientific

During the development of Citi ESG platform, our team extensively investigated white papers, industry reports and other authoritative documents in the field, deeply analyzed, classified and optimized the logic of existing ESG evaluation indicators, and innovatively constructed a more scientific and systematic evaluation indicator system.Using machine learning to a large amount of data training at the same time, in accordance with the industry of industry classification of the target weights of the categories of different enterprises, to ensure that when making personalized ESG performance evaluation, Citi ESG to corporate annual reports from users to upload files accurately and effectively capture the evaluation indicators, to assess the accuracy of the results provide a reliable guarantee

2. Strong visualization of ESG results

Citi ESG evaluation results presentation interface is simple, beautiful, clear and easy to understand.The platform will mainly present performance evaluation results through dynamic charts, while assisting to highlight key results with colors, special dynamic symbols and other identifiers.Subsequently, the platform can further develop the visualization of data analysis process, multi-format export of evaluation results and other functions to further improve the result display effect, so that users can choose the required format to export and save the evaluation results.

3. Provide excellent interactive experience for users

In the process of building the Citi ESG platform, in addition to improving the reliability of evaluation results, we also focused on optimizing customers' interactive experience when using the platform.Citi ESG platform will provide clear operation guidance for users. Users only need to upload the annual report and other documents for ESG evaluation, and the platform will automatically extract and integrate the key

information from the uploaded documents without other complicated manual annotation and data input. At the same time, the platform will later develop a corporate performance comparison function, users can choose more companies through the Citi ESG evaluation platform to compare their inclusion and diversity.

4. Strong platform plasticity

At present, Citi ESG aims to help investors who prefer to make decisions based on the performance of the company to identify the degree of inclusiveness and diversity of the company. However, the Citi ESG platform can be connected to citibank's daily credit business and become a green credit booster for Citibank, contributing to the strategic layout of citibank's green credit. In January 2020, CBRC issued the Guiding Opinions on Promoting high-quality Development of Banking and Insurance industry, which clearly pointed out that banking institutions need to establish and improve environmental and social risk management systems, and incorporate ESG management factors into the whole process of credit decision-making. Integrating Citi ESG platform into Citibank's daily credit granting business process, and using Citi ESG to evaluate enterprise ESG performance and other non-financial indicators before providing credit and other financial support to enterprises, citibank can select businesses in a more scientific and reasonable way, reduce the credit risk of Citibank and improve its sustainable competitiveness.



4 Market analysis

4.1 Market overview

4.1.1 An overview

ESG (Environmental, Social, and Governance) is an investment concept and corporate evaluation standard that focuses on corporate Environmental, Social, and Governance performance rather than financial performance. ESG is an important consideration factor for corporate social responsibility investment decisions and an important indicator used to measure the sustainable development of enterprises. Based on ESG evaluation, investors can evaluate their investment behavior and the contribution of enterprises (investment objects) in promoting sustainable economic development and fulfilling social responsibility by observing their ESG performance.

The investment concept of ESG originated from the non-governmental environmental protection activities in European and American countries. In recent years, the scale of ESG has grown rapidly, increasing by more than 1.5 times since 2012. The Global Sustainable Investment Report 2020 revealed that by the beginning of 2020, sustainable investment in the world's five largest markets had reached a total of us \$35.3 trillion, now accounting for one-third of total global assets under management. Europe and America together account for 78% of the five main regions. That compares with less than 2 per cent in China, well below developed markets. However, with the awakening of the concept of sustainable development and ESG concept, ESG investment has become the mainstream of the international market, and the construction of China's ESG evaluation system has accelerated.

In 2021, according to MSCI's Global Institutional Investor Survey 2021, 52% of 200 institutional investors surveyed said they had adopted an ESG investment strategy and 73% planned to increase their ESG investments by the end of 2021. According to a Morgan Stanley research report for individual and institutional investors, in terms of the financial performance of ESG investments, since the outbreak of COVID-19 in 2020, the median total return of ESG equity funds has been 4.3% higher than that of

similar non-ESG funds. The ESG bond fund's median total return of 0.9 per cent was also higher than its non-ESG peers.

According to the White Paper on ESG Development of Chinese Listed Companies (2021), the number of listed companies disclosing ESG information in China's A stock market was 371 in 2019, and the number increased to 1,112 in 2021. 248 of the CSI 300 constituents have released their 2020 ESG reports, accounting for more than 82 percent. It can be seen that the enthusiasm of Listed companies in China to disclose ESG is constantly improving, and the number of listed companies taking the initiative to disclose ESG is increasing year by year. ESG investment has gradually become the mainstream of the market, and ESG has a broad market.

The mainstream ESG rating systems in China include China Securities ESG rating, China Securities ESG rating, Shangtao Ronggreen ESG rating, WindESG rating, FTSE Russell ESG rating, Harvest ESG rating, social Value Investment Alliance ESG rating, etc. Among them, the rating scope of CSI/CSI/Shangdao Ronggreen/Harvest covers all A-share listed companies, while other institutions are mainly CSI 800 and CSI 300.

Almost all ratings construct a pyramid scoring system, which starts from ESG's three first-level indicators and breaks them down to more than 100 underlying data indicators at the company level. The presentation of rating results is based on the index weight distribution, considering the differences between different industries, combined with absolute scores and relative rankings to present ESG evaluation results. Different from the international ESG rating system, China's ESG rating incorporates more indicators suitable for the current stage of development. For example, China's ESG rating takes into account the quality of information disclosure, violations of laws and regulations, targeted poverty alleviation and other indicators. The Chinese ESG rating agency and its ESG rating system are as follows.

(1) China Securities: The rating scope covers all A-share listed companies, and the index system consists of 3 first-level indicators, 14 second-level indicators, 1, 26 third-level indicators, and more than 130 underlying data indicators. The total score of

the rating is 100 points, and nine grades of "AAA-C" are given accordingly

(2) CSI: The rating scope covers all A-share listed companies, and the index system is composed of 3 dimensions, 14 themes, 22 units and more than 180 indicators. The rating is presented in the form of intra-industry scores, ranging from 0 to 100%, representing the percentage ranking of the company's ESG evaluation results within the industry

(3) Commercial road greening: The rating scope covers all A-share listed companies, about 500 Hong Kong stock listed companies. The index system consists of three dimensions, 13 second-level classification issues and 200 specific indicators, derived from more than 1,000 data points;The rating is presented in the form of A full score of 100, with 10 grades A+, A, A-, B+, B, B-, C+, C, C- and D

(4)Wind: The rating scope covers THE CONSTITUENT stocks of CSI 800. The index system is divided into three dimensions, 27 subdivided topics and more than 300 specific indicators;The rating is presented in the form of management practice score (7 out of 10) and dispute incident score (3 out of 10)

(5) FTSE Russell: The rating scope covers 1,800 securities of Chinese listed companies (including about 800 A-shares, Hong Kong stocks, overseas Chinese concept stocks, etc.);The index system consists of three pillars, with 14 topics exposing relevance and scores and more than 300 independent evaluation indicators.The ratings are presented in the form of an overall ESG rating for each qualifying company on a scale of 0 to 5, with 5 being the highest

(6) Harvest: The rating scope covers all A-share listed companies;The index system consists of 3 first-level indexes (topics), 8 second-level indexes (topics), 23 third-level indexes (events), and more than 110 bottom-level indexes.The rating is presented in the form of 0-100 points to reflect the position of ESG performance in the industry

(7) Social Value Investment Alliance: the rating scope covers csi 300 constituent stocks;The index system is composed of "screening sub-model" and "evaluation molecular model" : 1) "Screening sub-model" : negative list, including 6 aspects and 17 indicators.Such as evaluation object;Meet any one of the indicators, that is, judged as unqualified qualifications.2) "evaluation model" : 3 first-level indicators

(objectives, methods and benefits), 9 second-level indicators, 28 third-level indicators and 57 fourth-level indicators are quantitatively scored;The rating is presented in the form of 10 large grades: AAA, AA, A, BBB, BB, B, CCC, CC, C and D.AA to B with "+" and "-" fine tuning, a total of 20 sub-grades.Grade D represents companies screened using the filter submodel

(8) Dingli company governance business: the rating scope covers THE CSI 800 constituent stocks.The index system consists of 5 first-level indicators, 20 second-level indicators and more than 150 lower-level indicators. The basic data covers more than 1000 information points.The presentation form of rating is divided into 1 total score, 5 first-level dimensions and 20 second-level dimensions.The score is on a scale of 10, with one indicating weak governance

(9) Micro crowd-moon: The rating category covers 711 listed companies in the history of Shanghai and Shenzhen stock Exchange 300;The index system consists of 3 dimensions, and the secondary index covers 41 ESG data.The rating is presented in the form of three dimensions: short-term ESG risk fluctuation (pulse score), long-term ESG quality evaluation (insight score), and efforts to improve ESG performance in the past year (momentum score), with values ranging from 0 to 100

4.1.2 Macro PEST analysis

PEST analysis objectively analyzes the external environment of an enterprise from the four aspects of Political, Economic, Society and Technological factors, and generally grasps the macro environment of the enterprise to find out the key factors affecting the organization., identify the opportunities and risks facing the enterprise.

Analysis of Political Factors

(1) In 2020, China pledged to strive for carbon peak by 2030 and carbon neutral by 2060. "Carbon neutral and carbon peak" has also become an important goal of the 14th Five-Year Plan for pollution prevention and control.In this context, areas related to ecological protection and low-carbon transition will face huge financing needs and development opportunities.ESG evaluation system is a part to

be studied and perfected in the construction of future capital market.

(2) As of September 2021, representative ESG normative documents issued by CSRC, CBRC, China Association for Basic Research and Development, Shanghai Stock Exchange, Shenzhen Stock Exchange, Hong Kong Stock Exchange and other regulatory authorities and self-regulatory institutions are shown in Table 2.

Table 2: RELEVANT NORMATIVE documents of ESG issued by various departments in China

Years of	Machine structure	The file name
2006	The shenzhen stock exchange	Guidelines on Social Responsibility of Listed Companies
2008	Shanghai	Guidelines on Environmental Information Disclosure of Listed Companies in Shanghai Stock Exchange
2012		
(Revised in 2015 and 2019)	Stock Exchange of Hong Kong	Guidelines on Environmental, Social and Governance Reporting
2012	The China banking regulatory commission	Green Credit Guidelines
2016	Jointly issued by the People's Bank of China and other 7 departments	Guidance on Building a Green Financial System
2018	In the base of The securities and futures commission	Green Investment Guide (Trial) Code of Governance for Listed Companies
2020	The shenzhen	Measures for Assessment of Information Disclosure

	stock exchange	of Listed Companies
		Guidelines on the Application of Self-Regulatory Rules for Listed Companies on the Science and Innovation Board of Shanghai Stock Exchange No. 2
	Shanghai	- Voluntary Disclosure
		Guidance on The Application of Review Rules for Listing of Corporate Bonds issued by Shanghai Stock Exchange No. 2 - Specific Corporate Bonds
	Silver circ	Guidelines on Promoting high-quality Development of the Banking and Insurance Industries
2021	The securities and futures commission	Guidelines on Investor Relations Management of Listed Companies (Draft)

The establishment of CITIesg evaluation platform can help investors to make sustainable investment, stimulate domestic demand and promote economic development, which coincides with the guiding spirit of the state.

Analysis of Economic Factors

In 2021, according to MSCI's Global Institutional Investor Survey 2021, 52% of 200 institutional investors surveyed said they had adopted an ESG investment strategy and 73% planned to increase their ESG investments by the end of 2021. According to a Morgan Stanley research report for individual and institutional investors, in terms of the financial performance of ESG investments, since the outbreak of COVID-19 in 2020, the median total return of ESG equity funds has been 4.3% higher than that of similar non-ESG funds. The ESG bond fund's median total return of 0.9 per cent was also higher than its non-ESG peers.

According to China Clearing Corporation and Climate Bonds Initiative (2020), Chinese issuers have issued a total of 386.2 billion yuan of labeled green bonds in both domestic and overseas markets, and esG-themed public funds have exceeded 120 billion yuan, with related investment and financing growing rapidly. Research by the

World Economic Forum shows that the Sustainable Development Goals will generate up to \$12 trillion in economic value and business opportunities. Seize the opportunity to enter, the market volume is huge, there is still space to explore.

Analysis of Social Factors

Figure: Number of ESG searches worldwide

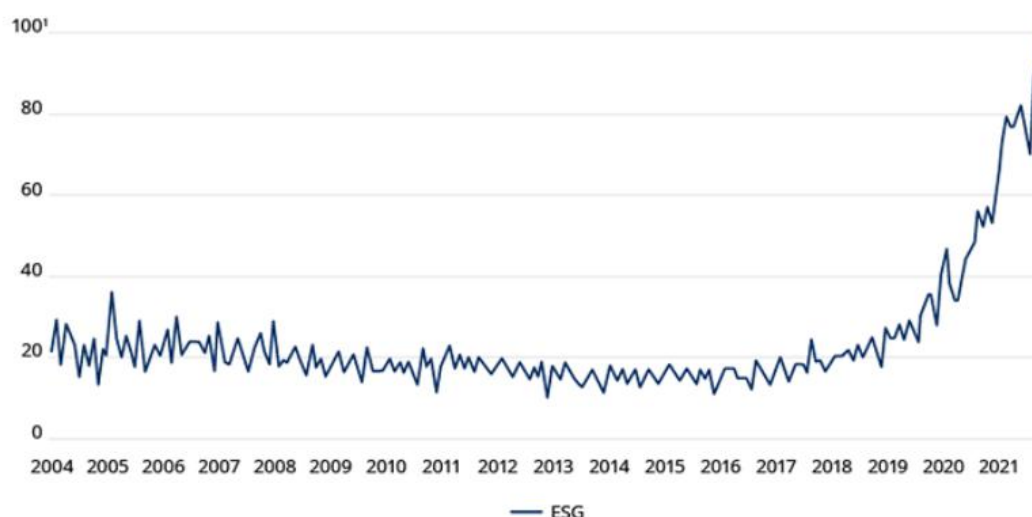


Figure source Schroders,

Interest in ESG is growing. The number of Google searches for the keyword "ESG" increased significantly from 2013 to 2021. ESG is becoming a hot investment spot. At the same time, people's concept of environmental protection is strengthened, and ESG investment is good.

Analysis of Technical Factors

Emerging digital technologies provide new solutions for ESG development. With the gradual maturity of emerging digital technologies such as artificial intelligence, cloud computing, blockchain and Internet of Things, financial institutions are forming new service modes such as scene finance, open banking and platform banking, providing a new path for the development of financial ESG to break the bottleneck at the present stage.

(1) Build a smart operation platform, fully implement the requirements of energy saving and environmental protection, and timely publish ESG information to enhance brand value. For example, trusted data collection and delivery technologies based on

the Internet of Things and blockchain technology can support a new process architecture, create an efficient and low-energy business model, and reduce the energy consumption of financial institutions to achieve green development.

(2) Build a data synchronization system among customers, financial institutions, EIA agencies and regulatory agencies, and penetrate information barriers through multivariate data analysis. For example, based on blockchain technology, financial institutions can effectively synchronize data and ensure its authenticity, security and traceability. Therefore, by building a multi-party data platform based on blockchain, information disclosure system and financial business related information needs can be clearly defined. The information release of ESG financing demanders shall be synchronized in real time with professional evaluation, audit of financial institutions, supervision of regulatory bodies and other steps to break information barriers.

(3) Reduce the development cost of ESG by changing the traditional financial business logic and business philosophy. Under the support of digital technology, physical space extremely scattered pratt & Whitney, "three rural" financial demand and financial demand can be effective in the digital space gathered themselves together, and form new business scenarios, financial institutions through the ground scene can significantly reduce acquisition costs and financial implementation risk control closed loop, and through the large data to evaluate multi-factor evaluation of manpower, reduce the ESG business process costs.

4.2 Market positioning

4.2.1 Target market selection

The CITI ESG platform is targeted at individuals and institutional investors who prefer sustainable investments.

4.2.2 Product demand positioning

Citi ESG's clients are mainly investors who need to make decisions based on the company's ESG performance. For these investors, access to our platform can meet

their needs in the following aspects:

(1) View enterprise ESG performance. Citi ESG platform has a strong visualization of ESG performance results and can clearly and accurately show the enterprise's ESG performance to investors.

(2) Good for investment decisions. The performance evaluation results of ESG on Citi ESG platform are accurate, fair and objective, which helps investors to make decisions.

Meanwhile, for Citibank, Citi ESG has the following benefits for its existing business:

(1) Green credit booster. In January 2020, THE CBRC issued the Guiding Opinions on Promoting the High-quality Development of the Banking and Insurance industry, explicitly requiring banking institutions to establish and improve environmental and social risk management systems, incorporate ESG management factors into the whole process of credit decision-making, and strengthen ESG information disclosure and communication and interaction with stakeholders. The establishment of Citi ESG platform will contribute to Citibank's strategic layout of green credit.

(2) Reduce bank credit risks. Studies have shown that enterprises with excellent ESG performance have a long-term and stable positive correlation between ESG performance and financial performance. Citi ESG can be used to evaluate non-financial indicators such as ESG performance before providing credit and other financial support to enterprises, so as to select businesses in a more scientific and reasonable way, reduce the credit risks of Citibank and improve its sustainable competitiveness.

4.2.3 Market positioning

Citi ESG is an ESG evaluation platform based on machine learning training, aiming to objectively and comprehensively evaluate the company's ESG performance, so as to promote the direct and indirect financing of the company and promote

economic development. The target audience is mainly investors and Citibank employees who prefer to make decisions based on the company's ESG performance.

4.3 Market competition analysis

4.3.1 Porter's Five Forces model

In order to analyze the competitive environment of CITI in ESG evaluation industry, we use Porter's Five Forces model to analyze factors in different aspects and summarize the basic competitive situation of CITI in the industry.

(1) Threat of potential entrants

Potential entrants are similar platforms that CITI enters after it has initially entered the market and occupied a certain market share. CITI's 3. Differential value point positioning lies in (1) more comprehensive coverage of indicators. (2) Individualized assessment methods. (3) Scientific index weight setting. (4) Can upload enterprise report automatic evaluation. The unique positioning can help CITI establish a larger market advantage. As the business system of the platform becomes more complete and systematic, customer stickiness will increase, which will make new entrants lose their development opportunities.

(2) Bargaining power of customers

CITI helps investors make decisions, but does not charge users. It is an open and transparent ESG evaluation platform, so there is no customer bargaining problem.

(3) Bargaining power of suppliers

CITI platform is an ESG evaluation platform based on machine learning training. There is no business model of supply and sale, so there is no problem of bargaining power of suppliers.

(4) Competition between existing competitors

At present, there are 9 mainstream ESG evaluation platforms in the market. But rating company category, index system, the form of rating presentation are different. CITI finally determined 111 indicators from 15 aspects by combining the existing ESG evaluation system and various reports of the company. The indicators

selected in this project are increased and decreased from those adopted by predecessors, so as to make the indicators more representative and better reflect the inclusiveness and diversity of the company.

This project focuses on the personalized evaluation of companies in different industries. For companies in different industries, it is inevitable to be biased to use the same evaluation system. Therefore, this project makes a breakthrough in developing different index weights for companies in different industries. At the same time, investors are allowed to upload relevant reports of the company on their own initiative, and through machine learning training, indicators and scores in uploaded files can be automatically identified. With unique competitiveness.

(5) The threat of substitutes

At present, various ESG evaluation platforms are blooming in the market, each with its own strengths. CITI has a unique market position and product advantages. The threat of substitutes is off the table.

4.3.2 Analysis of main competitors

Table: Domestic mainstream ESG scoring system

Category of companies		Rating	The indicator system	Rating presentation form
China card	All a-share listed companies		Three primary indicators, 14 secondary indicators, 126 tertiary indicators, and more than 130 underlying data indicators	The total score is 100, and nine grades of "AAA-C" are given accordingly
				Intra-industry scores, ranging from 0 to 100%, are used to represent a company's percentage ranking of ESG
The csi	All a-share listed companies		There are 3 dimensions, 14 topics, 22 units and more than 180 indicators	

			evaluation results within the industry
Its melting green	All a-share listed companies, about 500 Hong Kong stock listed companies	Three dimensions, 13 secondary classification issues, 200 specific indicators, from more than 1000 data points	The full score is 100, and there are 10 grades: A+, A, A-, B+, B, B-, C+, C, C- and D
Wind	China Securities 800 component stock 1800 Securities of Chinese listed companies (including about 800 A-shares, Hong Kong shares, overseas Chinese concept stocks, etc.)	Three dimensions, subdivided 27 issues, set more than 300 specific indicators	It is composed of management practice score (7 points out of total) and dispute incident score (3 points out of total)
The ftse Russell		Three pillars, 14 subject exposure relevance and scores, and more than 300 independently assessed indicators	Each qualifying company receives an overall ESG rating on a scale of 0 to 5, with 5 being the highest
harvest	All a-share	There are 3 first-level indicators	The score of 0-100

	listed companies	(themes), 8 second-level indicators (issues), 23 third-level indicators (issues), and more than 110 lower-level indicators	points reflects the position of ESG performance in the industry
		1) "Screening sub-model" : negative list, including 6 aspects and 17 indicators. Such as evaluation object; Meet any one of the indicators, that is, judged as unqualified qualifications. 2) "Evaluation model" : 3 first-level indicators (target, method and benefit), 9 second-level indicators, 28 third-level indicators and 57 fourth-level indicators are quantitatively scored	Set 10 large levels: AAA, AA, A, BBB, BB, B, CCC, CC, C, and D. AA to B with "+" and "-" fine tuning, a total of 20 sub-grades. Grade D represents companies screened using the filter submodel
Social Value Investing Alliance	Csi 300 component stocks		
			It is divided into 1 total score, 5 first-level dimensions and 20 second-level dimensions. The score is on a scale of 10, with one indicating weak governance
Dingli company governs business	China Securities 800 component stock	There are 5 first-level indicators, 20 second-level indicators and more than 150 lower-level indicators. The basic data covers more than 1000 information points	
			The score is divided into three dimensions: short-term ESG risk fluctuation (pulse score),
The reach	There have been a total of 711 listed companies in	Three dimensions, the secondary index covers 41 ESG data	

the history of
the CSI 300

long-term ESG quality
evaluation (insight
score), and efforts to
improve ESG
performance in the past
year (momentum score),
with values ranging
from 0 to 100

4.4 SWOT analysis

4.4.1 Strength

- (1) Huge potential market demand
- (2) The trust cost of establishing ESG evaluation platform based on Citibank is lower than that of traditional third-party platforms
- (3) The comprehensive quality of the R&D team is high
- (4) Unique market positioning and product positioning, can quickly attract customers.

4.4.2 Weakness

- (1) To face competition from some existing third-party platforms in the market
- (2) Different companies disclose different amounts and frequencies of ESG reports.

4.4.3 Opportunity

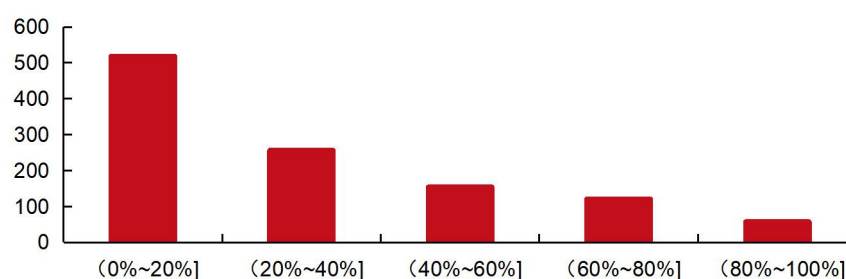
- (1) There is no domestic ESG evaluation platform dominated by banks.

4.4.4 Threat

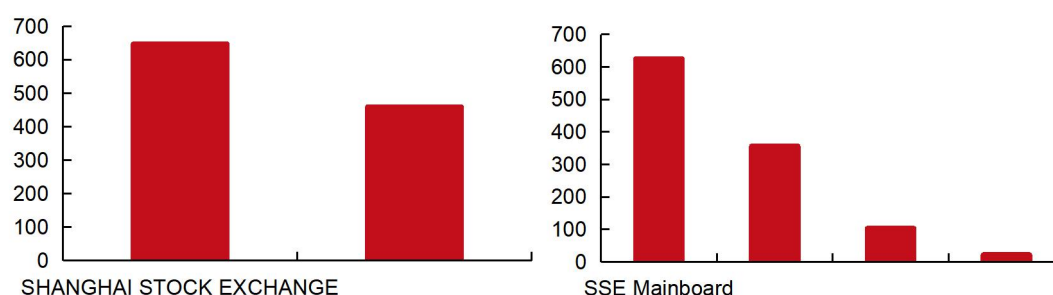
- (1) The market is more and more segmented, and the competition in the industry is more and more fierce
- (2) The business model is not complicated and easy to be imitated

4.5 Market research

The top 20% of listed companies by market capitalization will account for about 50% of all reports issued in 2021. Based on Wind terminal data as of May 31, 2021, the market value of Chinese listed companies is ranked from large to small and divided into five market value ranges (0%~20%], (20%~40%], (40%~60%], (60%~80%] and (80%~100%]. Listed companies that release ESG and SOCIAL responsibility reports in 2021 correspond to market value range according to their own market value. After statistics, it is found that market value ranking is positively correlated with the number of reports released. The top 20% of listed companies by market capitalization issued 518 reports, accounting for about half of all reports issued in 2021.

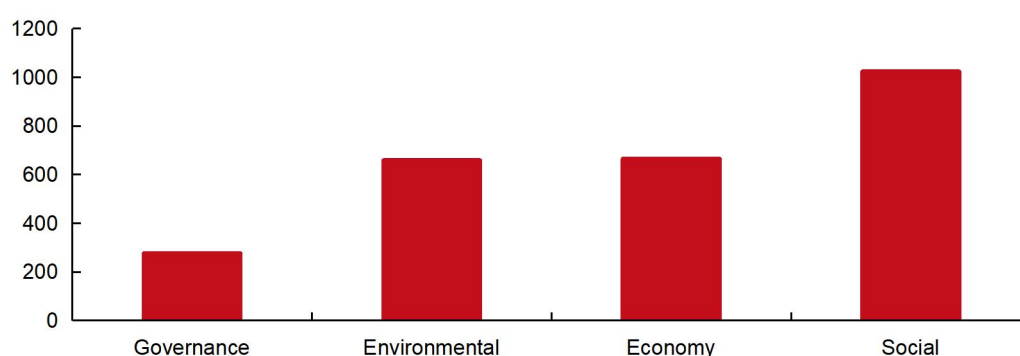


Through data analysis, it can be found that 92.41% of the 1,106 reports disclosed in 2021 covered "social" related issues; 60.04% of the reports disclosed "economic" related issues; 59.40% of the reports dealt with "environment" related issues; Only 24.86% of the reports disclose "governance" related topics, which needs to be further improved.



The non-financial information disclosure degree of listed companies in Shanghai Stock Exchange is significantly higher than that in Shenzhen Stock Exchange. According to statistics, as of May 31, 2021, Shanghai Stock Exchange

listed companies issued 647 reports, accounting for 58.50%; Companies listed on the Shenzhen Stock Exchange issued 459 reports, accounting for 41.50%. According to wind terminal data on May 31, 2021, there were 1,998 listed companies in Shanghai Stock Exchange, 34.09% of which issued ESG and social responsibility reports; There are 2,426 listed companies on the Shenzhen Stock Exchange, 18.92% of which have released ESG and social responsibility reports. In addition, the main board listed companies issued the largest number of non-financial reports. According to the analysis data of listed companies' sectors, the number of reports released in ascending order is 625 (56.51%) on the main board of Shanghai Stock Exchange, 356 (32.19%) on the main board of Shenzhen Stock Exchange, 103 (9.31%) and 22 (1.99%) on the science and Technology Innovation Board.



5 Business model

5.1 Overview

5.1.1 The overview of business model

Business model is to form a complete and efficient operation system with unique core competitiveness, which points to achieve the maximization of customer value, integrates the elements inside and outside the enterprise operation; and at the same time, to make the system achieve sustainable profitable overall solution through the optimal realization form in order to satisfy customers' demand, and carry out customers' value.

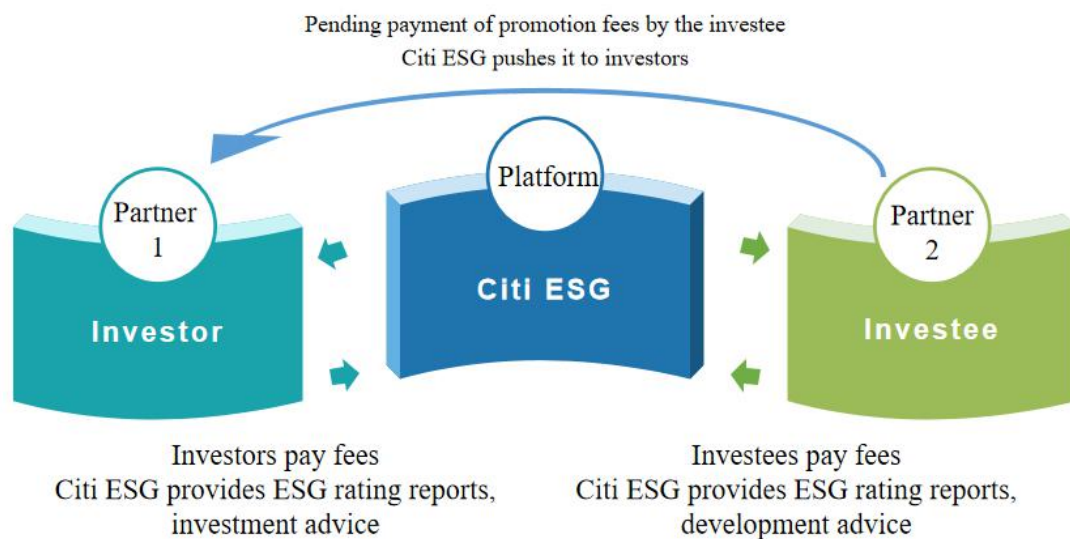
ESG, short for Environmental, Social and Governance, is an investment concept and corporate evaluation criteria which focuses on corporate Environmental, Social and Governance performance rather than financial performance. Based on ESG evaluation, investors can evaluate the investment performance and the contribution of enterprises (investment objects) in promoting sustainable economic development and charging social responsibility, through observing ESG performance of the enterprises. According to academic studies, the performance of an enterprise is not only related to the realization of profit goals and shareholder value, but more importantly depends on whether it can coordinate with the society and the environment and make its own progress without damaging the sustainable development of the economy and society. Traditional evaluation methods of the enterprise performance take financial factors into account more than environmental, social, corporate governance and other factors, especially the environmental factors. This leads to the phenomenon that the traditional evaluation methods can not fully measure the sustainable development ability of enterprises. Therefore, the advantages of ESG corporate rating method, which evaluates corporate performance in environmental, social and governance comprehensively, have been becoming increasingly outstanding.

Nowadays, the ESG evaluation platform available on the market is still in an incomplete development state. The index score often deviates from the objective

reality. Scores don't fully capture their true value especially for companies with more inclusiveness and variety. As a result, investors may not be able to judge the value of the companies they want to invest in accurately, and they may miss the companies that are truly worth investing in.

Citi ESG provides an ESG rating platform for investors who prefer to invest in companies that fit the ESG strategy, in order to help identify companies that are more inclusive and various. As to Citibank and its cooperative companies, this increases the customer base; while as to their customers, it provides convenient and affordable ESG rating service, ultimately enabling customers, major cooperative companies and Citibank to obtain high profits.

5.1.2 Canvas diagram of business model



Canvas diagram of business model

Future explanation:

Citi ESG's customers can be divided into two categories. One is investors, mainly including enterprises and financial institutions (investors) that need to invest in ESG company; the other is companies to be invested (investees), mainly including enterprises with financing needs.

As for the first type, Citi ESG provides the customers with ESG rating report and investment advice required by the customers.

As for the second type, Citi ESG provides customers' ESG rating reports and gives customers' development suggestions in the direction of ESG. This type of customers may pay for certain Citi ESG fees and promotion fees in order to objectively promote their ESG rating reports to the customers of the first type to attract investment.

5.1.3 Core competitiveness

(1)Scientific and comprehensive ESG rating index

The reasonable selection of rating index is the core issue of ESG evaluation platform operation. During the development stage of Citi ESG platform, our team extensively investigated The White Papers, industry reports and other authoritative documents in related field, and then deeply analyzed, classified and optimized the logic of current ESG evaluation index, and innovatively constructed a more scientific and systematic evaluation index system. Thus, when conducting ESG evaluation, Citi ESG can positively obtain and organize 111 indicators from 3 dimensions and 15 aspects from corporate annual reports and other documents uploaded by users, providing the most reliable guarantee for the accuracy of final results.

(2)Break through the barriers between investors and investees

Enterprises to be invested may pay for certain Citi ESG fees and promotion fees in order to objectively promote their ESG rating reports to the customers of the first type to attract investment.

Citi ESG creatively connects enterprises invested and to be invested directly. While realizing the ESG rating function, it provides channels investment and financing for the two types of customers.

5.2 Profit analysis of cooperative companies

Citi ESG will cooperate with companies selectively on the basis of Citibank's support for development. In addition to individual customers with personalized needs, Citi ESG will cooperate with enterprises and financial institutions (investors) that

need to invest in ESG and provide them with a series of data analysis services. Meanwhile, Citi ESG will cooperate with enterprises with financing needs. By charging certain ESG fees and promotion fee, the ESG rating report of enterprises with financing needs will be objectively promoted to enterprises and financial institutions with investment needs of ESG companies, breaking through the barriers enterprises between invested and to be invested. For the enterprises to be invested, Citi ESG will objectively put forward suggestions on management and development according to its ESG rating report, so as to help enterprises explore potentials and improve deficiencies.

5.2.1 The advantages of Citi ESG

From the perspective of investors, long-term cooperation with Citi ESG will result in preferential price, thus saving the cost of investors to obtain the rating report of ESG. At the same time, investors will get part of the ESG rating reports of companies with financing needs without money, which is a valuable wealth of investment information. From the point of view of investees, enterprises greatly improve the possibility of obtaining direct financing by paying reasonable commission and promotion fees to Citi ESG. The financing ability is greatly enhanced, especially for small and medium-sized enterprises in line with ESG investment concept. At the same time, the enterprises to be invested will get advice on management and development.

(1) Analysis of economic advantages

The key to the economic feasibility of Citi ESG is how to avoid or reduce the cost of cooperation while giving sufficient play to its cooperation advantages. It can be analyzed from two perspectives: benefit and cost.

1) Profit analysis

Investors seek cooperation with data analysis companies, generally for these purposes or benefits: investors can get economic benefits and reduce costs through cooperation with ESG evaluation platform; to share information resources through

cooperation with ESG evaluation platform; by contracting with the ESG evaluation platform to share the risk with the investors; through ESG evaluation platform, cooperating with related enterprises to get more investment benefits.

In addition, Citi ESG, as the subsidiary ESG evaluation platform of Citibank, is naturally attractive to investors in terms of credit and resources. For investors, these benefits can only be increased by cooperating with Citi ESG.

Investees seek to cooperate with the data analysis companies for these purposes or interests: investees expand the financing channels and reduces the financing difficulty of the enterprises through cooperation with ESG evaluation platform; receiving the advantages of information resources and suggestions for development; obtaining its related enterprises' investment.

On the one hand, The cooperation mode of Citi ESG enables its customers (investors) to get visible benefits. Customers can get more feedback on ESG rating reports from different companies to invest in without increasing their daily consumption. This can have a positive impact on customers' loyalty.

On the other hand, Citi ESG's help to investees enables enterprises to obtain professional advice on management development without increasing daily consumption. Companies can even get investment from Citibank when they meet its standards. These can enhance the loyalty of cooperative companies.

Finally, with the increasing influence of Citi ESG itself and the increasing loyalty of its cooperative, the promotion of Citi ESG is relatively easy. With the promotion of the platform, the business of the platform will be more perfect and the brand advantage of the platform will be further consolidated.

2) Cost analysis

The benefit advantages of Citi ESG is obvious, however, its economic feasibility depends on the cooperation cost. Cost can be divided into explicit cost and implicit cost. Explicit cost includes expenditure of human, financial and material resources. As for the explicit cost, the conclusion has been drawn in the benefit analysis, which is, the explicit cost is reduced for the cooperative companies(both investors and investees), because the explicit cost is allocated. The implicit cost usually can't be

calculated by quantification. It is in the form of various risks, such as the risk of benefit sharing, business information disclosure, the opportunistic behavior of cooperative companies, and merger or the threat of merger.

With Citi ESG as the cooperation core and strong support from Citibank, Citi ESG can choose a wide range of cooperative companies. With the strong strength of Citibank, Citi ESG, as an intermediate platform for data analysis, will not have unequal rights during cooperation. Secondly, under the credit guarantee of Citibank, the cooperation between the cooperative companies and Citi ESG will not affect its commercial secrets, thus it's very safe to cooperative companies with Citi ESG. Thirdly, the benefits obtained by Citi ESG are reflected in the increase of customer loyalty and quantity, which is an intangible benefit without the problem of interest segmentation. The benefits of one cooperative company will not decrease or even increase with the participation of another cooperative company. Finally, the relationship between the cooperative companies and Citi ESG is not a competitor, and only the common interests exist, which can fundamentally reduce the opportunistic behaviors of both sides.

(2) Analysis of ridership advantages

Philip Kotler believes that "customer satisfaction" refers to a person's feeling state of happiness or disappointment after comparing the perceived effect of a product with his expectation. It can be seen that customer satisfaction is a result of comparison between expectation and perceived effect, and it is a customer psychological reaction rather than a behavior. "Customer loyalty is the behavior that customers buy a certain brand product (service) for a long time due to the attraction of price, characteristics or other factors." The only measure of customer loyalty is whether customers repeatedly buy the company's products (services). In Citi ESG, customers must have long-term cooperation with Citi ESG and use a certain number of ESG rating services to get the preferential treatment (feedback) given by Citi ESG. The more services they use, the higher the value of feedback they get and the more attractive they will be to customers. Under the condition of providing similar products or services, Citi ESG has considerable advantages to attract customers to repeat purchase, achieve the purpose

of improving customer loyalty, and provide consumers with more diversified services.

At the same time, because of the numerous cooperative companies of Citi ESG partner, which are made up of investors and investees basically, customers have more opportunities to directly contact the investors through the cooperation with Citi ESG, get a variety of free or preferential product (service), and also win many customers in the normal consumption and free or preferential consumption opportunities. Undoubtedly, customer satisfaction will be greatly improved.

Cooperation with Citi ESG can also help enterprises improve their popularity and play a good advertising effect. As Citi ESG is the ESG evaluation platform of Citibank, with the high credit and brand effect of Citibank, enterprises often include major cooperative enterprises in their advertisements.

5.3 Platform profit

5.3.1 ESG rating services

Citi ESG offers its customers ESG ratings services and investment advice, also for a fee. Fees vary according to the difficulty of the operation. Customers can choose to have a long-term relationship with Citi ESG and purchase at least a limited number of services. In contrast, Citi ESG will offer customers certain price concessions and provide some free ESG rating reports for customers.

5.3.2 Promotion business of investees

Citi ESG provides promotion services to customers (investees). Specific content: The customers cooperate with Citi ESG and pay certain fee and promotion fee to Citi ESG, which shall be agreed between the customers and Citi ESG. Citi ESG gets real data on its customers. Citi ESG will present the CUSTOMER's ESG rating reports, and promote the rating results to the customers with investment intention, so as to help the enterprises to be invested connecting with investors, and achieve the direct financing of the enterprises to be invested.

5.3.3 Provide ESG development advice to enterprises

Citi ESG provides ESG development advice to customers (enterprises). Specific content: Citi ESG provides ESG rating services for customers, and provides enterprises with ESG development evaluation and suggestions, and charges certain fees. Fees vary according to the difficulty of the operation.

5.3.4 Diverting business to Citibank

Citi ESG introduces Citibank's business to cooperative companies and customers, and to expand Citibank's customer base. The business does not generate direct revenue, but it has huge potential income for Citibank.

5.3.5 ESG rating for Citibank

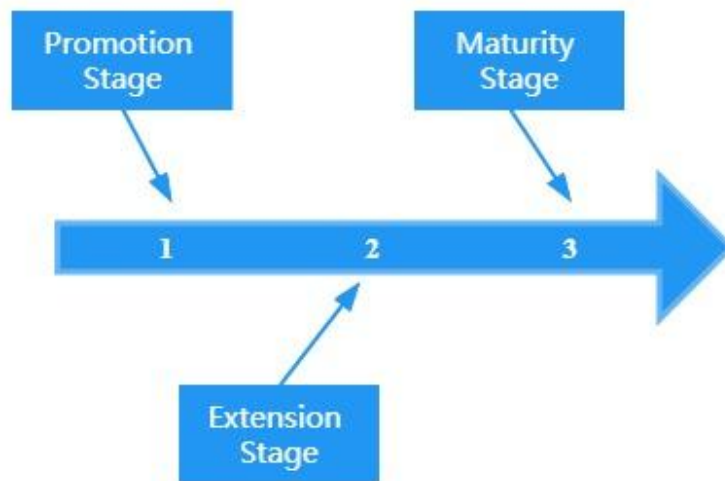
As a subordinate platform of Citibank, Citi ESG provides ESG rating services for Citibank and its related enterprises, which is convenient for relevant enterprises to make investment profits. Although this business will not generate direct profit income, but for Citibank and related enterprises to generate potential income is huge.

5.4 Marketing strategy

Citi ESG will adopt phased marketing strategy which means to develop different marketing strategies for different development stages.

5.4.1 Marketing phases

We divide the marketing strategy into three stages, which is, the promotion stage, the extension stage and the mature stage, and adopt the different marketing strategies with different tendencies.



Staged marketing step chart

5.4.2 Marketing strategies at different stages

(1) Project Development Strategy

The promotion stage: Build a platform, and build a customer base.

The extension stage: Improve the platform, improve customer loyalty, and expand the range of cooperation.

The mature stage: Strengthen market share and brand building.

(2) Marketing planning

According to the behavior characteristics of business target customers and the different characteristics of the three development stages, we divide the marketing strategy into three stages:

The first stage is to create popularity of our website and customer base.

①According to:

1) In the initial stage of the platform, potential customers do not know exactly about the product, and the price demand of the product is relatively elastic.

2) The capacity of market is large.

3) The revenue of the platform can be increased by the increasing number of various customer groups.

Therefore, in the first stage, the strategy is adopted to attract target customers

through advertising, business introduction of Citibank and cooperation with relevant financial institutions. At the same time, pay attention to the influence of existing customers on potential customers, and achieve the goal of rapid growth in the number of customers in the initial stage.

As the customer base of Citibank and the target customer group of Citi ESG are highly compatible, Citi ESG can quickly attract a group of customers based on the credit and influence of Citibank in the first stage. Customers in this stage are mainly made up of customers of Citibank or enterprises influenced by Citibank. Citi ESG should firmly maintain these customer groups, improve customer loyalty to Citi ESG through excellent business, and on the other hand, also improve customer loyalty to Citibank.

Citi ESG has a natural advantage in terms of initial customer base compared to other ESG platforms. Therefore, in the first stage, Citi ESG mainly aims at attracting the customer base of relevant financial institutions, Citibank and related enterprises, and takes advertising promotion and attracting Citibank and related enterprises as the main marketing means.

(1) Pay attention to advertising and marketing; cooperate with Sina Weibo, QQ, Zhihu, Toutiao and other common Internet users to set up Citi ESG website links and promote, increase searchability and attract the attention of potential customers by leading domestic search engine rankings.

(2) Through big data analysis, promote Citi ESG to customers who are interested in IT among the customer base of Citibank and related enterprises in the form of SMS and phone calls. Website optimization, website recommendation, ranking, etc., will be carried out to maximize the possibility of Citi ESG website being visited and clicked on, gradually expand the influence of the website, and achieve the expected marketing effect.

(3) In terms of customer relationship management, some strategies can be adopted -- in order to improve customer loyalty and achieve the goal of bringing new customers from old customers, Citi ESG offers relatively high preferential coverage to partners at this stage.

②The second stage is to improve the popularity of the platform and maintain customer loyalty.

On the basis of having a certain amount of customer base, increase the publicity of Citi ESG platform. Through the virtuous cycle of cooperation between several types of customers (investors and investees) and the platform, instill the advantages, applications and benefits of Citi ESG to customers.

To be good at knowing the market response, keeping pace with the era to make improvements in product technology, for example: developing exclusive Citi ESG app and related services in order to further improve the ease of use and wide application of Citi ESG; increasing the interaction between customers and the platform so as to increase customers' trust in the platform; adding a free trial on Citi ESG platform to help attract more customers.

③The third stage is to strengthen brand construction and improve customer participation. At the same time, strengthen cooperation and communication with various financial institutions or platforms, focusing on platform technology development and enhancing brand value.

With the further increase of product popularity, in addition to continuing the cooperation and publicity with all kinds of financial institutions, we should gradually focus on the development of technology research and development, paying more attention to the promotion of the website's core technology progress and inherent cultural value, and improve the brand image.

After the product operation model is gradually mature while the customer group is gradually stable, we can consider expanding the range of cooperative enterprises, the range of platform business, and creating a mutually beneficial business model.

Strengthen the training of ESG rating knowledge for staff who provide services. Only when service personnel are familiar with ESG rating business, can flexibly answer customer questions and meet customer requirements, can they help customers connect with the platform more conveniently and improve customer satisfaction.

The core of ESG rating business is not only the technical research and development of ESG rating, but also the improvement of customer loyalty and

long-term cooperation, and ultimately achieves the maximization of assets of both partners.

6 Investment and financial analysis

6.1 Investment analysis

6.1.1 Source and application of funds

CITI ESG is expected to be formally established in May 2022, and the company will introduce investment in marketing, platform building, equipment, human resources and other aspects. As the company is in the early stage of rapid development, the initial investment can only be a relatively fixed average in a short period. Therefore, for the budget and analysis of the following financial data, we plan to refer to the average data of enterprises in the same industry in recent one year as the basis for investment estimation in the bank.

The registered capital of CITI ESG is 1.2 million yuan, and the specific structure is as follows:

Table 1 Equity structure and size of CITI ESG

Share Capital Structure and Size			
Share Capital Structure and Size	Amount	Type	Ratio
Citi Capital Injection	1,200,000	Capital contribution	100%
Total	1,200,000	100%	

In the capital structure, Citigroup invested 1.2 million yuan to become a shareholder, which was used to bear various expenses at the initial stage of the establishment of the company.

The fund will be used for the following purposes:

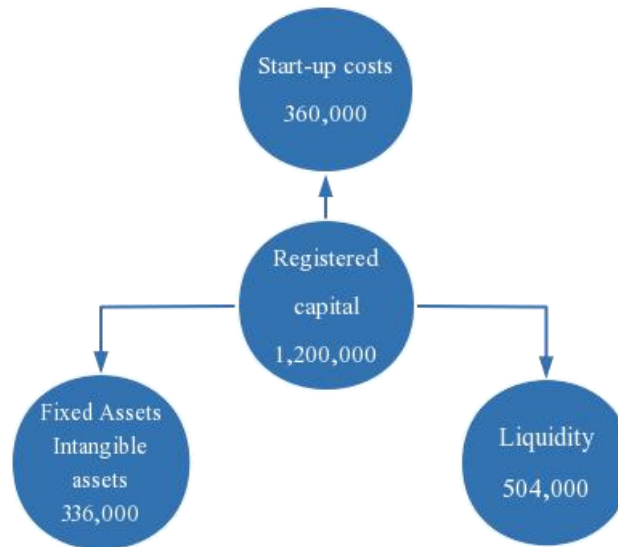


Figure the use of funds

6.1.2 Dividend policy

According to the forecast of the company's operating conditions in the next few years, the company can achieve a higher profit target, and the company will re-invest the annual profit into the operation of the company, so as to strive for greater cash turnover and cash turnover rate, and solve the problem of fund operation difficulties of emerging companies.

It is expected that the company can achieve positive profit and turn loss into profit within five years. To this end, the company will not pay dividends in the first five years, and the annual dividend will be 30% of the net profit after 2027.

6.1.3 Investment income and risk analysis

(1) Net Present Value (NPV)

CITI ESG invests in the initial stage, and the net present value of the project is calculated as follows:

$$NPV = \frac{\sum c_i - c_0}{(1 + r)^t}$$

The initial investment of the project is RMB 1,200,000, considering the current cost of capital and opportunity cost of capital investment

The risk of capital and industry background and other factors, R is 10%.

The net present value of project investment is calculated based on the cash flow from year 1 to year 6. The detailed calculation table is as follows:

Table 2 Net cash flow statement and net present value calculation table

Net cash flow, net present value calculation table					
	Net cash flow	Accumulated net cash flows	Discount rate	Net Present Value	Cumulative net present value
Initial investment	-1,200,000	-1,200,000	0%	-1,200,000	-1,200,000
2023	525,254	-684,746	10%	468,412	-731,588
2024	1,339,400	654,654	10%	1,217,636	486,040
2025	-653,763	890	10%	-594,330	-108,282
2026	1,270,269	1,271,258	10%	1,154,881	1,046,599
2027	5,159,389	6,430,648	10%	4,690,354	5,736,953
Embedded rate of return	68%				
Net Present Value	5,736,953				
Return on investment period	1.49				

As can be seen from the above table:

The net present value of the investment is $NPV=5,736,953>0$

Financial net present value rate $FNPVR=NPV/PVI$ (total investment present value) $=4.781>0$

Profitability index (PI) $=FNPVR+1=5.781>1$ indicates that the project has strong profitability and high feasibility of investment scheme.

(2) Investment payback period

Investment payback period (PP) including the construction period = the number of years corresponding to the last negative cumulative net cash flow + the absolute value of the last negative cumulative net cash flow ÷ the net cash flow of the next year

According to "net increase of cash and cash equivalents" in income statement X, the cumulative net cash flow of the project in the first year is negative, and the static payback period (including the construction period) of 1.49 years is calculated by

interpolation method based on net cash flow, discount rate and investment amount. The investment recovery period is short, so the investment plan is feasible.

(3) Average Return rate (ARR)

Average return = (annual cash flow/initial investment) *100%

The average annual net cash flow of the cash flowmeter in the previous five years was 1,526,130 yuan, so the average return rate was 126.93%

(4) Embedded Rate of return (IRR)

The included rate of return calculated according to the investment cash flow statement is as follows:

$$NPV = \sum_{t=1}^n \frac{NCF_t}{(1+i)^t} - C = 0$$

As shown in the table above, IRR=68%, which is much higher than the cost of capital, can be obtained by using Excel calculation tool.

(5) Project sensitivity analysis

The company's investment, operating costs and other uncertain factors from various aspects, according to the increase of 10% and 10% of the single factor change sensitivity analysis, use the substitution method to calculate the investment payback period and embedded rate of return.

6.2 Financial analysis

6.2.1 Key financial assumptions

(1) The Company implements the Accounting Standards for Business Enterprises and The Accounting System for Business Enterprises and its supplementary provisions, and complies with the Enterprise Income Tax Law of the People's Republic of China and other relevant laws.

(2) The company's fixed assets are depreciated by the straight-line method according to the cost at the time of acquisition. The net salvage value rate is 5%, and the depreciation life is 7 years. The investment in fixed assets during the preparation period is 5,469,300 yuan.

(3) Domain names and software purchased by the Company during the preparation period are included in intangible assets and amortized using the straight-line method, with the amortization period of 5 years.

(4) The company receives 85% of its annual operating income in cash this year; The other 15% of the cash will not be received until the following year and will be credited to accounts receivable. Assuming no bad debt losses, all accounts receivable can be collected.

(5) According to the relevant regulations of the State and Beijing Municipality, the company pays 12% of the employees' housing provident fund, and the company pays the employees' social insurance premium (based on urban household registration and based on employees' salary). Pension insurance (19%), unemployment insurance (0.8%), industrial injury insurance (0.5%), medical insurance (10%) and maternity insurance (0.8%). Housing accumulation fund and social insurance premium are deducted before tax.

(6) The proportion of the company's legal surplus reserve shall be 10%; The company's discretionary surplus reserve will be withdrawn from 2018, and the proportion is 4%. All are based on after-tax profit.

(7) According to the national tax Law and relevant regulations, the items and proportion of taxes paid by the company are:

Income tax: 25%;

VAT: the rate is 6%;

Urban maintenance and construction tax: the tax rate is 7%, based on the payable business tax;

Education surcharge: the tax rate is 3%, based on the payable business tax;

Property tax: the tax rate is 12%, based on the rent of the house;

(8) The company plans to be established in May 2022 with a preparation period of 6 months and put into operation in November 2022.

(9) Considering the need of sustainable development of e-commerce platform, promotion activities and user experience improvement, the company sets up its own technical team to be responsible for the construction, update and maintenance of

e-commerce platform and website. In the mature phase of the company's development, the technical team will be responsible for the development of mobile e-commerce technology.

6.2.2 Cash flow budget

Adhering to the accounting principle of prudence and materiality, we carefully consider the company's possible costs and expenses, select recurring items to list expenses, and also through data query and daily observation to understand the price or rate of each expense.

The estimated cost of the last five years is as follows:

Year	2023	2024	2025	2026	2027
Operating costs					
Depreciation of fixed assets	246,702	246,702	246,702	246,702	246,702
Subtotal	246,702	246,702	246,702	246,702	246,702
Overheads					
House rent	122,600	122,600	127,000	127,000	131,400
Managerial salaries	1,525,936	1,713,136	1,900,336	2,094,736	2,281,936
Social security contributions					
Welfare costs	92,056	103,350	114,643	126,370	137,664
Housing Provident Fund	183,112	205,576	228,040	251,368	273,832
Consultancy fees	81,072	90,672	100,272	109,872	119,472
Plumbing and electricity	14,098	14,098	14,612	15,412	15,110
Depreciation of fixed assets	32,120	34,520	34,520	36,920	36,920
Internet access charges	14,928	21,816	28,752	35,688	42,624
Insurance premiums	14,928	21,816	28,752	35,688	43,424
Business Hospitality	20,552	20,656	20,760	20,864	20,968
Travel expenses	44,080	51,320	58,560	65,800	73,040
Subtotal	496,946	563,824	628,911	697,982	763,054
Selling expenses					
Advertising costs	1,441,389	2,228,502	2,898,117	3,751,152	4,348,848
Depreciation of fixed assets	352,464	352,464	352,464	352,464	352,464
Subtotal	1,793,853	2,580,966	3,250,581	4,103,616	4,701,312
Selling expenses					
Advertising costs	1,441,389	2,228,502	2,898,117	3,751,152	4,348,848
Depreciation of fixed assets	352,464	352,464	352,464	352,464	352,464
Subtotal	1,793,853	2,580,966	3,250,581	4,103,616	4,701,312
Finance costs					
Interest expense	305,632	338,024	370,824	402,808	435,200
Total	6,285,522	8,146,217	9,774,935	11,776,460	13,260,916

The cash flow statement forecast for the past five years is as follows:

Year	2023	2024	2025	2026	2027
Operating cash flow					
Cash inflow from operations	5,004,061	4,760,700	3,946,662	3,925,490	5,661,527
Of which: net profit (cash flow statement)	4,496,746	3,968,320	8,424,751	2,737,866	3,936,058
Depreciation amortisation and depletion	1,151,520	1,287,500	1,522,466	1,966,243	2,528,480
Deferred tax and investment tax benefits	143,574	-224,760	587,266	-3,200	-162,706
Non-cash items	-788,614	-270,380	-6,587,821	-775,404	-640,291
Gains and losses on non-recurring items	0	0	0	0	0
Changes in working capital	1,050,800	1,069,660	1,504,734	1,383,420	1,403,913
Total: Net cash flow from operations	11,058,087	10,591,040	9,398,058	9,234,416	12,726,982
Investment cash flow					
(-) Capital expenditure	1,598,346	2,072,820	2,020,326	2,481,490	3,002,618
(-) Net assets acquired	132,106	106,600	1,006,302	0	119,026
Revenue from sale of fixed assets and operations	8,026	6,620	8,637	77,898	320,466
Net investment transactions	-7,091,813	-5,109,460	-5,109,225	-5,045,992	-8,694,706
Total: Net cash flow from investments	-5,353,334	-2,923,420	-2,073,959	-2,486,603	-5,252,596
Financing cash flow					
(-) Dividend payments	0	0	0	0	0
Net equity financing	674,586	459,180	-681,584	197,600	597,469
Net bond financing	2,617,174	2,474,860	2,675,445	1,617,569	7,170,909
Net other financing	-17,120	-142,740	26,596	1,595,874	1,821,454
Total: Net cash flow from financing	3,274,640	2,791,300	2,020,457	3,411,043	9,589,832
Total					
Effect of exchange rate changes	0	0	0	0	0
Other cash flows	0	0	0	0	0
Net cash flow	8,979,394	10,458,920	9,344,555	10,158,856	17,064,218

6.2.3 Profit budget

The profit budget for the past five years is as follows:

Year	2023	2024	2025	2026	2027
Operating income	13,870,480	15,898,840	17,243,641	16,657,584	18,253,106
(-) Operating costs	5,082,186	6,207,100	7,217,486	8,418,698	9,356,742
Gross operating profit	8,788,294	9,691,740	10,026,155	8,238,886	8,896,364
(-) Selling, management and administration expenses	3,928,694	5,510,980	6,994,302	5,866,165	5,519,258
(-) Other expenses	0	0	0	0	0
Operating profit before interest and tax	4,859,600	4,180,760	3,031,853	2,372,722	3,377,106
(+) Net non-operating income and expenses	638,454	837,520	7,115,053	1,384,330	1,564,698
(-) Interest expenses	194,134	203,740	270,514	273,318	347,593
(+) Non-recurring gains and losses	10,506	30,800	30,400	57,914	0
Total profit (before tax)	5,314,426	4,845,340	9,907,592	3,541,647	4,594,211
(-) Income tax	0	0	0	0	0
(+) Profit of unconsolidated subsidiaries	0	-17,080	-85,502	-131,734	3,666
(+) Other adjustments	4,520,294	4,113,100	8,400,033	2,721,977	3,953,280
Consolidated net profit	-70,720	-305,880	-320,016	-8,659	-2,793
(-) Gains and losses of minority shareholders	0	0	0	0	0
Net profit attributable to the parent company	4,591,014	4,410,980	8,720,049	2,730,635	3,956,073
(-) Preferred shareholders' profit or loss	0	0	0	0	0
Comprehensive income attributable to ordinary shareholders	4,591,014	4,410,980	8,720,049	2,730,635	3,956,073

From the data in the table, we can see that our company can obtain stable income and the income increases year by year.

6.2.4 Balance sheet budget

The assets and liabilities budget of the past five years is shown in the following table:

Year	2023	2024	2025	2026	2027
Asset items					
Current assets	18,953,466	21,225,700	19,669,894	22,517,380	33,765,687
Of which: cash and short-term investments	17,040,454	18,725,040	17,103,233	20,350,526	26,595,258
Of which: cash	4,383,360	4,598,980	2,528,310	2,531,677	2,532,058
Short-term receivables	1,335,574	1,403,480	1,612,441	1,504,455	6,475,098
Inventory	0	395,220	0	0	0
Other current assets	577,466	701,948	954,237	662,400	695,331
Investments and advances	279,600	928,100	9,543,738	10,313,146	1,259,593
Long-term notes receivable	163,386	0	2,449	613,945	776,407
Intangible assets	9,027,494	6,767,800	4,603,706	4,244,377	4,751,622
Fixed assets, plant and equipment	2,365,486	2,806,440	2,671,918	2,549,334	2,786,458
Deferred tax assets	43,146	83,540	253,486	248,337	342,196
Other assets	435,226	317,280	428,824	593,584	1,232,974
Total investment	279,600	625,360	0	0	7,013,629
Total: Total assets	54,884,258	58,578,888	59,372,236	66,129,159	88,226,313
Liability items					
Current liabilities	4,859,734	6,534,900	6,562,890	10,406,070	18,328,567
Of which: short-term debt	171,146	747,200	460,702	3,798,588	1,731,956
Accounts payable	0	1,774,860	1,809,404	1,976,526	513,731
Taxes payable	188,880	201,420	83,984	179,106	507,258
Other current liabilities	4,499,734	3,811,440	4,288,816	4,451,859	15,575,607
Long-term debt	7,607,254	7,594,348	8,535,934	7,780,706	7,999,113
Deferred tax liabilities	528,694	368,740	865,225	810,149	753,847
Other liabilities	359,920	59,380	36,016	20,941	25,018
Ownership interests					
Shareholders' equity	17,912,214	17,268,760	11,630,204	11,749,097	23,562,429
Of which: Minority interests	986,826	349,920	995,657	1,234,416	3,356,262
Equity attributable to shareholders of the parent company	16,925,386	16,918,840	10,634,546	10,514,682	20,206,167

It can be seen that the indicators on the balance sheet have been growing steadily year by year.

6.2.5 Analysis of accounting statements

(1) Summary of important report data

Item \ Year	2023	2024	2025	2026	2027
Operating income	13,870,480	15,898,840	17,243,641	16,657,584	18,253,106
Operating profit	4,859,600	4,180,760	3,031,853	2,372,722	3,377,106
Net profit	4,520,294	4,105,100	8,400,033	2,721,977	3,953,280
Total assets	31,267,814	31,826,120	27,630,270	30,766,965	50,668,974
Shareholders' equity	17,912,214	17,268,760	11,630,204	30,766,965	23,562,429

It can be seen from this that the company's operating income increases year by year, and the profit situation fluctuates occasionally but is generally stable. The company

You can get steady and consistent returns.

(2) Analysis of financial indicators

The main financial ratios forecast for the next five years are as follows:

Year		2023	2024	2025	2026	2027
Short-term solvency analysis	Current ratio	4.290114684	3.572858039	3.296853054	2.380256623	2.026468051
	Cash ratio	0.992172959	0.774132427	0.423767777	0.267614982	0.151962996
	Gearing ratio	0.469849293	0.503143204	0.63698517	0.679938809	0.588470563
Long-term solvency	Shareholder equity ratio	0.515577851	0.488337378	0.378830316	0.343686429	0.418524085
	Equity multiplier	1.571052749	1.658689332	2.138160455	2.356799487	1.935372491
Asset management efficiency	Current asset turnover ratio	0.621388298	0.699779837	0.735732611	0.532729523	0.486523339
	Total asset turnover ratio	0.399242246	0.449597877	0.561676635	0.487270228	0.324218026
Profitability	Gross margin of sales	0.696956607	0.670546656	0.639584803	0.544062977	0.53612795
	Net margin	0.358482379	0.28402135	0.535851797	0.1797484	0.238239351
	Rate of return on assets	0.192076026	0.186193614	0.380218847	0.099502862	0.107424475
	Return on shareholders' equity	0.277593985	0.262578089	0.802573033	0.26717632	0.184385743

It can be seen from the above table that the company's current ratio and cash ratio are high, indicating that the company has strong liquidity and short-term solvency. The average capital liability ratio is at a reasonable level, which ensures high capital efficiency. Current asset turnover and total asset turnover are at reasonable levels, ensuring asset utilization efficiency; The profitability of the company is good, the sales margin (net margin) is high, due to the company's high value-added services guaranteed high

The level of income.

Based on the above analysis, it can be seen that the company has excellent financial indicators, solvency, operational capacity and profitability. Good strength, has great development potential.

7 Risk management

In order to ensure the long-term competitiveness of Citi ESG platform, this part will identify risk factors of Citi ESG platform from four aspects: macro environment, market operation, technology operation and platform architecture, and implement certain risk control measures before risk events occur.



7.1 Identification of risk factors

7.1.1 Macro environmental risks

Industry supervision: The adverse impact of government and industry supervision departments' changes in regulatory measures on platform operation.

External environment: changes in the overall environment of macro politics and policies, fluctuations in the economy, and changes in social culture, moral customs and habits have adversely affected the operation of the platform.

Uncontrollable risks: the adverse impact of black swan events such as natural disasters on platform operation.

7.1.2 Market operation risk

External competition: Wind ESG evaluation platform is well known in The Chinese market, and several Asian financial service platforms are actively carrying out the establishment of ESG evaluation platform. External competition will hinder the development of Citi ESG.

User usage: Adverse impact on Citi ESG platform caused by improper operation or client network virus when users use Citi ESG platform for evaluation.

Advertising effect: Whether Citi ESG platform can establish enough user reputation and advertising effect to attract users continuously.

7.1.3 Technical operation risk

Technological change: Whether Citi ESG platform can continuously adapt to and use new technologies to improve the quality of the platform, such as the construction of mobile APP and other technological progress.

Platform stability: Whether the Citi ESG platform can support a certain number of users to log in to the website at the same time, and whether the user experience will be reduced due to the sudden heavy traffic at a certain moment but insufficient platform performance.

Security system: Whether The Citi ESG platform will be subject to network intrusion, and the risks arising from the security guarantee of various data in the platform.

7.1.4 Platform architecture Risks

Human resources: The inadequate competitiveness of human resources on Citi ESG platform, especially the insufficient supply of high-tech personnel, leads to the insufficient maintenance and innovation capacity of the platform;Or human resource management problems, the platform will be restricted in the use of human resources.

Information management: Citi ESG fails to fully manage the ESG performance evaluation results of enterprises on the platform, resulting in a lack of prevention and timely response to information security and information management risks.

Platform reputation: Citi ESG evaluation results convey wrong information, resulting in an increase in user complaint rate, which leads to the decline of platform reputation and popularity.

7.2 Risk control measures

After identifying various risks faced by Citi ESG platform, specific and reliable risk control measures in advance can not only reduce the possibility of the occurrence of the above risk events, but also reduce the possible losses caused by the occurrence of risk events through prior control and post-remedy.

7.2.1 There are four basic approaches to risk control:



(1) Risk avoidance

Risk avoidance means that the investor consciously gives up the risk behavior and completely avoids the specific loss risk. Simple risk avoidance is one of the most negative ways to deal with risk, because when investors give up risky behavior, they often give up the potential target return. Therefore, this method is generally used only when:

- Investors are extremely risk averse.
- There are alternatives that achieve the same objectives and are less risky.
- Investors have no ability to eliminate or transfer risks.
- The investor is unable to bear the risk or is not adequately compensated for the risk.

(2) Loss control

Loss control is not about giving up risk, but making plans and taking measures to reduce the possibility of loss or actual loss. The stage of control includes three stages: before, during and after. The purpose of prior control is mainly to reduce the probability of loss, while the control during and after the event is mainly to reduce the actual loss.

(3) Risk transfer

Risk transfer refers to the act of transferring the transferor's risk to the transferee

through contract. The risk degree of economic subjects can be greatly reduced through the process of risk transfer. The main forms of risk transfer are contracts and insurance.

- Contract transfer. By entering into a contract, some or all of the risk can be transferred to one or more other participants.
- Insurance transfer. Insurance is the most widely used method of risk transfer.

(4) Risk retention

Risk retention, that is, risk-taking. That is, if a loss occurs, the economic agent will pay with whatever funds are available at the time. Risk retention includes unplanned retention and planned self-insurance.

- No plan to keep. A risk loss is paid out of revenue after it occurs, i.e. not financed before the loss. When the economic entity is not aware of the risk and thinks that the loss will not occur, or significantly underestimates the realized maximum possible loss related to the risk, it will adopt the unplanned reservation way to bear the risk. In general, unreserved funds should be used with caution, as liquidity difficulties may arise if actual total losses are much greater than anticipated losses.
- Plan to self-insure. Making financial arrangements prior to the occurrence of a possible loss to ensure that funds are available to compensate the loss in a timely manner. Planned self-insurance is mainly realized by establishing risk reserve fund.

7.2.2 Specific risk control measures for Citi ESG platform

(1) Macro environmental risk control measures

Industry regulation -- risk transfer and risk retention: To strengthen the compliance degree of Citi ESG platform, to promote the characteristic advantages of green finance development and win official support to reduce the possibility of major changes in industry regulation and targeted regulation.

External environment -- risk transfer and risk retention: strengthen the

monitoring of external macro policy and economic environment, and make timely adjustments according to environmental changes, and maintain harmony with the overall environment.

Uncontrollable risks -- Risk transfer and risk retention: In case of sudden catastrophic events affecting the daily operation of the platform, it is necessary to prepare for risk assessment and payment of losses in advance.

(2) Market operation risk control measures

External competition -- damage control and risk transfer: monitor the dynamics of external competitors in time, strengthen competitive advantage from the weak links of competitors' products, and always maintain the spirit of innovation, and keep in harmony with the industry as a whole, and always keep sensitive to market trends.

User usage -- risk avoidance and risk transfer: provide accurate guidance to user operations, and reduce user errors in using Citi ESG platform through technical improvements.

Advertising effect -- risk retention: Conduct more standardized market research to understand the status and wind direction of Citi ESG, and formulate stable promotion plan to respond timely;At the same time, pay attention to the changes in the number of users on the platform, master the popularity of the platform in detail, and formulate appropriate advertising plans.

(3) Technical operation risk control measures

Technology change -- loss control: based on high-tech talents, continuously promote the stable operation and innovation progress of Citi ESG platform;When technological changes occur, make up for technological gaps in time, make timely adjustments to the changes to reduce the negative impact of technological changes, and actively adopt emerging technologies to innovate on the platform.

Platform stability -- risk avoidance and loss control: provide sufficient and necessary technical support for hardware, and constantly improve the overall system;Monitor the operating status and flow of the platform and make adjustments in time;Timely maintenance and repair of vulnerabilities when the platform is unstable;To promote the stability and development of the platform jointly maintained

by various parties through the safeguard agreement.

Security system -- loss control: improve the back-end system in hardware, enhance platform barriers, and constantly monitor the overall security situation, improve security through encryption; A sound supervision and guarantee system is established on the software, and confidentiality agreements are signed with users to safeguard the interests of multiple parties. Data encryption is carried out with technologies such as blockchain to maintain information security.

(4) Platform architecture risk control measures

Human resources -- risk avoidance and loss control: constantly adjust organizational structure and personnel structure to correspond to the overall development of Citi ESG platform; To prevent the loss of core talents, a breach mechanism can be signed to prevent it. Meanwhile, the growth and development of core talents can be paid attention to to cultivate loyalty. Establish variable salary system and multiple compound incentive methods; Select scientific and reasonable evaluation methods to be applied to human resource management recruitment selection and performance evaluation stage.

Information management -- Risk avoidance: timely collate enterprise evaluation data on Citi ESG platform, strengthen daily platform information management, and ensure the security of enterprise information uploaded by users.

Corporate reputation -- risk avoidance: pay attention to the cultivation of Citi ESG's reputation and sense of user experience, timely process user feedback to increase two-way interaction and multi-party interaction online and offline; When credit risk occurs, attention should be paid to strengthening public relations to avoid a sharp decline in credit.