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## Attestation Report of China Development Bank Bond Connect Green Bond (Reopening)<sup>1</sup>

### To the Directors of China Development Bank

We have been engaged by China Development Bank (the “Bank”) to examine the assertions in the accompanying the *Description on China Development Bank Bond Connect Green Bond (Reopening)* (the “Description”) and expressed a limited assurance opinion on the Description.

### Criteria

The Description is prepared in accordance with Announcement of People's Bank of China [2015] No.39 (the “Announcement”), Catalogue of Green Bond Support Projects (Version 2015) (the “Catalogue”) published by Green Finance Committee of China Finance Association, and Climate Bonds Standard (Version 2.1) (the “Standard”) published by the Climate Bonds Standard Board and the applicable sector criteria “Low Carbon Transport Criteria”.

### Management’s Responsibility

The management of the Bank (the “Management”) is responsible for:

- Preparation of the Description in accordance with the Announcement, the Catalogue and the Standard, and to ensure the fair presentation, accuracy, completeness and validity of the information contained in the Description;
- Preparation, presentation and implementation of policies and internal controls in relation to project evaluation and selection, use and management of proceeds, and information disclosure and reporting in accordance with the Announcement, the Catalogue, the Standard and requirements of relevant regulators;

### Assurance Practitioner’s Responsibility

We conducted our limited assurance engagement in accordance with *International Standard on Assurance Engagements 3000(Revision): Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (“ISAE 3000”) issued by the International Auditing and

<sup>1</sup> The Chinese name for this bond is “国家开发银行 2019 年第一期(增发)绿色金融债券”.



Assurance Standards Board, *Guidelines for Green Bond Evaluation and Certification (Provisional)* issued by People's Bank of China and China Securities Regulatory Commission, and *Guidance for Verifiers of Climate Bonds Certification Scheme* issued by the Climate Bonds Standard Board.

Our responsibility is to express an independent limited assurance conclusion as to whether anything has come to our attention to cause us to believe that the Description, in all material respects, does not meet the Criteria.

## **Our Procedures**

Our assurance procedures performed included, but were not limited to:

- Assessing policies and procedures established by the Bank related to the issuance of the China Development Bank Bond Connect Green Bond (Reopening);
- Interviewing selected business unit personnel to understand how they identify any risk associated with the situation which could not meet the Criteria and what are the policies and procedures for the Bank to address these risks;
- Reviewing the Bank's policies and procedures in relation to use and management of proceeds for the China Development Bank Bond Connect Green Bond (Reopening);
- Reviewing the Bank's policies and procedures in relation to how Management evaluated and selected appropriate project(s) for the China Development Bank Bond Connect Green Bond (Reopening);
- Reviewing the Bank's policies and procedures in relation to how Management compiled information and disclosed appropriately in the relevant documentation for the China Development Bank Bond Connect Green Bond (Reopening);
- Reviewing eligibility of all the nominated projects for inclusion in the China Development Bank Bond Connect Green Bond (Reopening); and

## **Assurance Conclusion**

Based on our procedures performed as described, nothing has come to our attention that causes us to believe that the bond issuance process of the China Development Bank Bond Connect Green Bond (Reopening), so far as the use and management of proceeds, Management's project evaluation and selection and information disclosure and reporting are concerned, in all material respects, does not meet the criteria as set out in the Announcement, the Catalogue and the Standard.

## **Limitations**

There are inherent limitations in performing assurance, for example, assurance engagements are based on selective testing of the information being examined and it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures



performed in response to the assessed risks. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to the Description are subjective and will be interpreted differently by different stakeholder groups.

Our work is substantially less in scope than an audit conducted in accordance with International Standards on Auditing issued by the IAASB. Accordingly, we do not express an audit opinion.

Our assurance was limited to the China Development Bank Bond Connect Green Bond (Reopening) issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of the 20 February 2020, ahead of the issuance of the China Development Bank Bond Connect Green Bond (Reopening).

## **Use of Report**

The attestation report is only for the purpose of China Development Bank's application to People's Bank of China and its branches, China Banking and Insurance Regulatory Commission and its agencies for the issuance of China Development Bank Bond Connect Green Bond (Reopening). We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization.

## **Our Independence, Quality Control and Assurance Team**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants. We have complied with the quality control requirements of the *International Standard on Quality Control 1* issued by the International Auditing and Assurance Standards Board. Our team has required competencies and experience for this assurance engagement.

Ernst & Young Hua Ming LLP

Beijing, China

20 February 2020

## **Appendix I**

### **China Development Bank Description on China Development Bank Bond Connect Green Bond (Reopening)**

In accordance with *Announcement of People's Bank of China [2015] No.39 (the "Announcement")*, *Catalogue of Green Bond Support Projects (Version 2015) (the "Catalogue")* published by Green Finance Committee of China Finance Association and *Climate Bonds Standard (Version 2.1) (the "Standard")* published by the Climate Bonds Standard Board, China Development Bank (the "Bank") established the *China Development Bank RMB Green Bonds Interim Regulation (the "Regulation")* and the *China Development Bank Green Bonds Framework (the "Framework")*, which defined the use and management of proceeds, project evaluation and selection, as well as information disclosure and reporting.

#### **Use and Management of Proceeds**

In accordance with the Regulation and the Framework, Treasury & Financial Markets Department of the Bank is responsible for the overall management of the proceeds raised by green financial bonds; the Project Appraisal Department of the Bank leads the relevant departments and branches to establish a separate Ledger, strengthen the management of the receipt, appropriation and recovery of proceeds, ensure that the proceeds are used exclusively for the purpose of green industry projects within the duration of the bonds.

During the duration of the bonds, the Project Appraisal Department of the Bank is responsible for tracking and monitoring the use of proceeds and the environmental benefits of the green industry projects. During the idle period of the proceeds, the Treasury & Financial Markets Department of the Bank shall, in accordance with *Announcement of People's Bank of China [2015] No. 39* and other relevant regulations, invest the unallocated proceeds in green bonds issued by non-financial enterprises and money market instruments with good credit rating and market liquidity, and shall not invest in greenhouse gas emission intensive projects, high pollution projects and high energy consumption projects.

#### **Project Evaluation and Selection**

In accordance with the Regulation, the Project Appraisal Department of the Bank is responsible for selecting the green industry projects preliminarily reviewed and reported by the branches from the perspective of project category, environmental

benefits, proceeds demand and development objectives of the Bank to determine the list of green industry projects. At the same time, an independent third-party institution with relevant qualifications is employed for pre-issuance assurance of green industry projects.

China Development Bank initially selected five qualified green industry projects with a total amount of 13.6 billion RMB according to the Regulation and the Framework. The project category is clean transportation, and the project selection meets the *Catalogue of Green Bond Support Projects, Climate Bonds Standard* and its applicable sector criteria “Low Carbon Transport Criteria”. The environmental benefits of some projects are expected as follows:

- A railway project. The project is to build a new double line high-speed railway with a speed target value of 350 km/h, which is mainly responsible for intercity passenger flow and long-distance cross-line passenger flow transportation. 8 stations are set up along the whole line, and 5 traction substations are newly built (220 kV power supply is adopted). The total length of the railway main line is about 226.556km, and the lines such as dispersion line and the bullet train running line is 27.662km. The initial passenger flow density is expected to be 63.3 million people/year. It is estimated that after the completion of the project, the annual carbon emission reduction will be appropriately 355,602 tons.
- A metro project. The total length of this metro line is about 25.9 km, all of which are underground lines, with an average station distance of 1.22 km, and a total of 22 stations. The maximum gradient of the main line in the section is 3%, the effective length of the platform is 118 meters, the maximum running speed is 80 km/h, and the power supply system is DC 1500 V contact rail. It is estimated that the initial passenger flow is 105.78 million people/year. It is estimated that after the completion of the project, the annual carbon emission can be reduced by about 100,520 tons.

With the objective on building a beautiful China, China Development Bank combines the promotion of ecological civilization, green industrial development and sustainable development of the bank itself, through the establishment and improvement of green financial organization guarantee system, green project system, green financial product system, green financial risk management system and other ways to increase the supply of green finance. At the same time, China Development Bank focused on improving the green credit system, strengthening environmental risk management, promoting the market-oriented operation of green credit projects, and raising and guiding social proceeds to invest in the ecological and environmental protection field.

## **Information Disclosure and Reporting**

Before the bonds issuance, China Development Bank has hired a qualified independent third-party institution to perform pre-issuance assurance of green financial bonds; during the duration of the bonds, China Development Bank will hire an independent third-party institution with relevant green project certification and financial auditing qualifications to issue an attestation report on the use of proceeds in the previous year; when the bond duration throughout the year, the green performance and environmental benefits of the green industry projects are tracked and evaluated, and the third-party institution will issue the post-issuance attestation report. According to *the China Development Bank RMB Green Bonds Interim Management Regulation*, China Development Bank will disclose the use of proceeds to the market on a quarterly basis. Annual reports and attestation reports on the use of proceeds in the previous year, and the use of proceeds in the first quarter of the year should be disclosed before April 30 each year. At the same time, China Development Bank should report to People's Bank of China on the use of proceeds in the previous year.

China Development Bank

20 February 2020

## Climate Bonds Standard Version 2.1 Pre-Issuance Assurance Requirements

1. Selection of Nominated Projects & Assets		
Climate Bonds Standard Requirement	Findings	Requirement Met
<p><b>1.1.</b> The Issuer shall establish, document and maintain a decision- making process which it uses to determine the continuing eligibility of the Nominated Projects &amp; Assets. This includes, without limitation:</p> <p><b>1.1.1.</b> A statement on the environmental objectives of the bond.</p> <p><b>1.1.2.</b> A process to determine whether the Nominated Projects &amp; Assets meet the eligibility requirements specified in Part B of the Climate Bonds Standard.</p>	<p>By reviewing the issuer’s green bond management policy documents, including <i>China Development Bank RMB Green Bonds Interim Regulation (the “Regulation”)</i> and the <i>China Development Bank Green Bonds Framework (the “Framework”)</i>, and interviewing with relevant personnel of Issuer, we found that the issuer has established the responsibilities and decision-making process for project selection and assessment.</p> <p>In the project evaluation and selection part, the issuer’s decision-making process includes the statement on the environmental objective of the bond, and the process to determine whether the Nominated Projects &amp; Assets meet the eligibility requirements specified in Part B of the Climate Bond Standard.</p>	Yes
<p><b>1.2.</b> All Nominated Projects &amp; Assets which are proposed to be associated with the bond shall meet the bond’s documented objectives as stated under Clause 1.1 and will conform to the eligibility requirements under Part B of the Climate Bonds Standard.</p>	<p>The issuer has submitted the Nominated Projects &amp; Assets List to the assurance institution. We found that the issuer has assessed all the environmental benefits of the proposed project and has met the specified eligible requirements under Part B of the Climate Bonds Standard.</p>	Yes
<p><b>1.3</b> The Issuer shall document the Nominated Projects &amp; Assets which are proposed to be associated with the bond and which have been assessed as likely to be Eligible Projects &amp; Assets.</p> <p>The Issuer shall establish a list of Nominated Projects &amp; Assets which can be kept up-to-date during the term of the bond.</p>	<p>The Issuer has established a Nominated Projects &amp; Assets List for Eligible Projects &amp; Assets through determine process and has submitted related eligibility requirements to assurance institution for inspection. Therefore, the assurance institution found that the Issuer has established Nominated Projects &amp; Assets List, and all projects are eligible and in line with determine process. The list of projects will be continuously updated during the term of the bond.</p>	Yes

<p><b>1.4.</b> Nominated Projects &amp; Assets shall not be nominated to other Certified Climate Bonds unless it is demonstrated by the Issuer that distinct portions of the Nominated Projects &amp; Assets are being funded by different Certified Climate Bonds or that the existing Certified Climate Bond is being refinanced via another Certified Climate Bond.</p>	<p>After interviewing with relevant personnel of issuer and checking CBI website, the assurance institution found that there was no evidence the Nominated Projects &amp; Assets of issuer were nominated to other Certified Climate Bond.</p>	<p>Yes</p>
<p><b>1.5</b> The expected Net Proceeds of the bond shall be no greater than the Issuer's debt obligation to the proposed Nominated Projects &amp; Assets, or the Fair Market Value of the proposed Nominated Projects &amp; Assets which are owned by the Issuer.</p>	<p>After interviewing with person in charge of issuer, the total amount of funding shall not exceed RMB 10 Billion yuan. The total amount of the listed project is RMB 13.6 billion yuan. Therefore, it is expected that the Net Proceeds of the bond will not exceed the Issuer's debt obligation to the proposed Nominated Projects &amp; Assets.</p>	<p>Yes</p>

<p style="text-align: center;"><b>2. Internal Processes &amp; Controls</b></p>		
<p style="text-align: center;"><b>Climate Bonds Standard Requirement</b></p>	<p style="text-align: center;"><b>Findings</b></p>	<p style="text-align: center;"><b>Requirement Met</b></p>
<p><b>2.1.</b> Tracking of proceeds: The Net Proceeds of the bond can be credited to a sub-account, moved to a sub portfolio, or otherwise tracked by the Issuer in an appropriate manner and documented.</p>	<p>By reviewing <i>Regulation</i>, Issuer shall establish a separate Ledger in accordance with the requirements of special fund management, strengthen the management of the receipt, appropriation and recovery of proceeds, ensure that the proceeds are used exclusively for the purpose of green industry projects within the duration of the bonds..</p>	<p>Yes</p>
<p><b>2.2.</b> Managing unallocated proceeds: The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 6.2</p>	<p>By reviewing <i>Regulation</i>, Issuer shall invest unallocated proceeds to non-financial corporation green bond and money market instruments with high rating and liquidity. The unallocated proceeds shall not be invested in greenhouse gas emission intensive projects, high pollution projects and high energy-consumption projects.</p>	<p>Yes</p>
<p><b>2.3</b> Earmarking funds to Nominated Projects &amp; Assets:</p>	<p>By reviewing <i>Regulation</i>, Issuer shall establish a separate Ledger in accordance</p>	<p>Yes</p>



An earmarking process that can be used to manage and account for funding to the Nominated Projects & Assets and enables estimation of the share of the Net Proceeds being used for financing and refinancing.	with the fund management requirements.	
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3. Reporting Prior to Issuance		
Climate Bonds Standard Requirement	Findings	Requirement Met
The Issuer shall disclose in the Bond Disclosure Documentation:		
<b>3.1.</b> The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.	Issuer shall disclose the investment areas of Nominated Projects & Assets in <i>Description on China Development Bank Bond Connect Green Bond (Reopening) and Bond Prospectus</i> .	Yes
<b>3.2.</b> The intended types of temporary investment instruments for the management of unallocated proceeds in accordance with Requirement 2.2.	Issuer disclosed in the <i>Description</i> that they will invest unallocated proceed to non-financial corporation bond and money market instruments with high rating and liquidity, which meets the Climate Bonds requirement.	Yes
<b>3.3.</b> The Verifier selected by the Issuer for the pre-issuance and the post-issuance engagements.	The Issuer shall disclose the Verifier employed to conduct the pre-issuance and post-issuance engagements in the <i>Description and Bond Prospectus</i> .	Yes
<b>3.4.</b> Whether periodic Assurance Engagements will be undertaken during the term of the bond to reaffirm conformance with the Climate Bonds Standard, and the expected frequency of any periodic Assurance Engagements	After interviewing with relevant personnel of issuer, periodic Assurance Engagements will be undertaken during the term of the bond. The expected frequency of periodic assurance will be once a year.	Yes