



ANNUAL REPORT ON CHINA DEVELOPMENT BANK'S 2017 GREEN BOND





CDB Inaugural International Green Bond

In November 2017, China Development Bank (“CDB”) issued its inaugural international green bond denominated in both USD and EUR. The total amount equated to CNY 11121.90 million, assuming the foreign exchange rate given below as of the settlement date of the bond¹. We hereby provide the first Annual Report on our 2017 Green Bond, disclosing the allocation of the bond proceeds as well as the expected environmental impacts of the eligible green projects as of 31 December, 2017.

ISIN code	Currency	Tenor(year)	Coupon type	Amount(million)	CNY Equivalent Amount (million)	FX rate
XS1711039591	USD	5	Fixed	500	3314.30	6.6286
XS1711173218	EUR	4	Fixed	1000	7807.60	7.8076

CDB Green Bond Framework

Use of proceeds

- **Clean transportation:** electric, hybrid, public, rail, non-motorised and multi-modal transportation, infrastructure for clean energy vehicles
- **Renewable energy:** wind power, photovoltaics, and hydroelectric power generation;
- **Pollution prevention and control:** waste water treatment, reduction of air emissions and waste recycling
- **Energy efficiency:** industrial energy saving and water saving
- **Environmentally sustainable management of living natural resources and land use:** environmentally sustainable agriculture, animal husbandry, fishery, forestry, climate smart farm inputs
- **Climate change adaptation:** disaster prevention, control systems
- **Land and aquatic biodiversity conservation:** coastal, marine and river basin protection
- **Exclusion list**
 - Clean coal and fossil fuel-related technologies;
 - Nuclear and nuclear-related technologies
 - Large hydropower dams (> than 25 MW)

Process for Project Evaluation and Selection

- **Selection principle:**
 - Alignment with Government policies and regulatory requirements in China
 - Consideration of international standards and conventions
 - Respect of related system of CDB
- **Selection process:**
 - Creation of a dedicated Green Credit Projects by relevant Project Appraisal Department
 - Review and selection of the projects for each issuance
 - Final selection of the Green Credit Project

Management of proceeds

- Allocation the Green Bond Proceeds within 24 months after issuance
- Disclosure of financing and refinancing ratio and the Green Projects refinanced
- Tracking and monitoring of the environmental benefits
- Earmark of the unallocated proceeds and holding in form of temporary investment instruments such as cash or cash equivalent

Reporting

- **Allocation Reporting:**
 - Details of the allocation of the Green Bond Proceeds with a list of the Green Credit Projects and the relevant loan amount
- **Environmental Reporting:**
 - Expected environmental benefits of the selected Green Projects using impact indicators

Third Party Verification

- Ernst & Young issued a positive third party verification on CDB Green Bond Framework



Certification

- CDB’s Green Bond Framework is certified by Climate Bond Initiative against the CBS



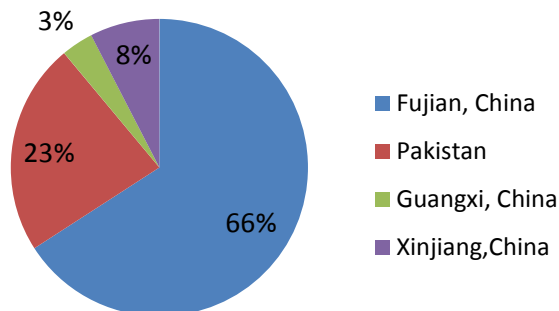
1. refer to the central parity rate published by the People’s Bank of China as of November 16, 2017²

Allocation of proceeds reporting

After deducting the up-front costs in the course of issuance, the net proceeds of the November 2017 Green Bond equivalents to CNY 11,055.33 million. As of December 31, 2017, 5.97% of the net proceeds had been utilized to fund the Eligible Green Projects in Renewable Energy; the remaining unallocated proceeds was in the form of cash and amounted to 10,394.87 CNY million. None of the unallocated proceeds was invested in greenhouse gas (GHG) intensive nor highly polluting nor energy intensive projects.

Asset category		Amount CNY million	Amount USD equivalent million	New Financing (%)	Average age of assets	Location
Energy	Longyuan Fujian Putian Nanri Island Offshore Wind Farm Project Phase 1	400	60.34	100%	20 years	Fujian, China
Energy	China Three Gorges Corporation Pakistan First Wind Power Project	152.46	23.00	100%	20 years	Pakistan
Energy	Guangxi Fuchuan Kongtou Wind Farm Project Phase 2	23	3.47	100%	20 years	Guangxi, China
Energy	Xiapu Ivxia Wind Farm Project	35	5.28	100%	20 years	Fujian, China
Energy	Guohua Hami Jingxia No4. Wind Farm ABC District 600000kW Wind Turbine Generator System Project	50	7.54	100%	20 years	Xinjiang, China

Breakdown by geography



For illustration purposes only

Impact reporting

Asset category	Impact indicators*	
Energy	131,505 MWh of power generation per year	266,519 tonnes of annual GHG emissions reductions per year

Project example

Case study

A wind project located in Fujian, China

- Xiapu Ivxia Wind Farm Project is developed by Hangtian Minjian New Energy (Xiapu) Co. Ltd. The project is located in coastal mountains and peninsular on the southern part of Changchun Town, Xiapu County. It starts operation in June 2017.
- **Capacity installed:** 40 MW
- **Annual electricity produced:** 88,610 MWh
- **Emissions avoided:** 728 tons of SO₂, 625 tons of NO_x, 304 tons of dust, 10,000 tons of ash, 75,000 tons of CO₂.



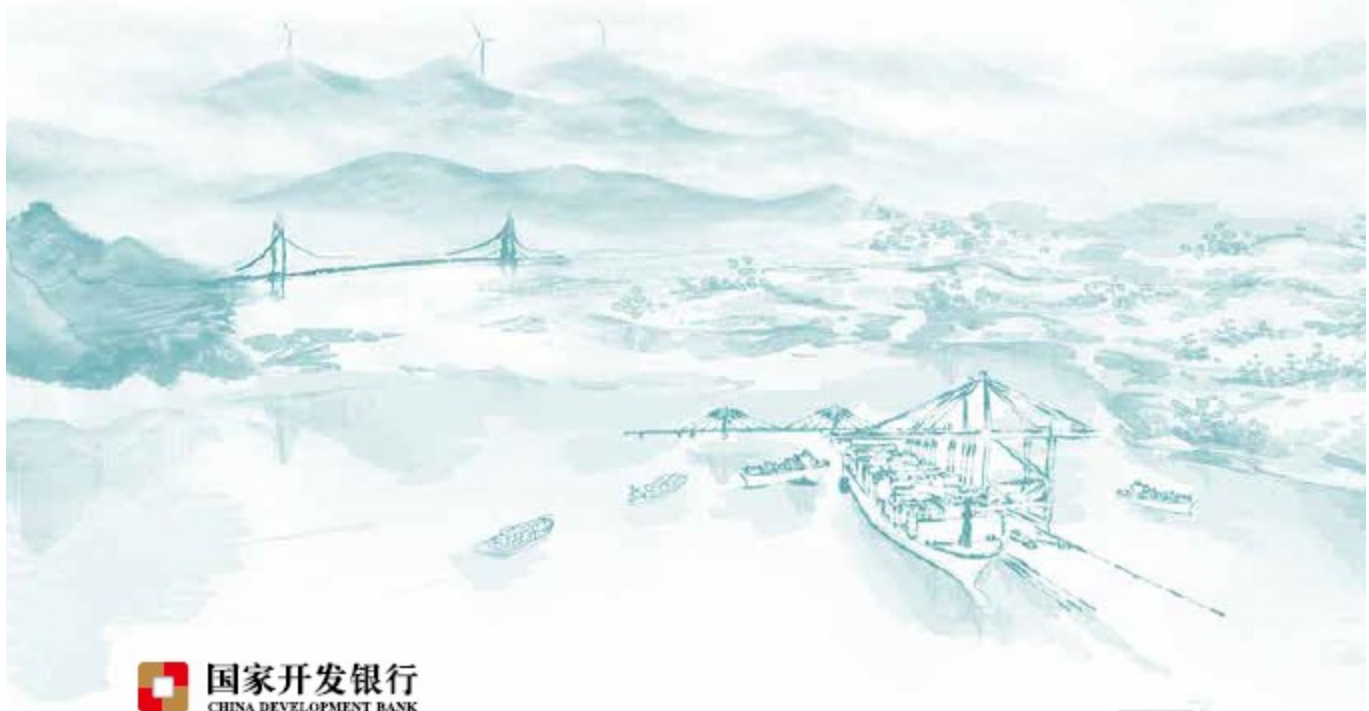
Impact assessment methodology

The impact assessment methodology of the Renewable Energy Projects refer to the UNFCCC CDM methodology ACM 0002 Grid-connected electricity generation from renewable sources (version 17.0) .

Available at :

http://cdm.unfccc.int/filestorage/D/5/Y/D5YFS9I3VKBT18MQNGX0LPZ6U7AWCO/ACM0002_%28v17%200%29_clean.pdf?t=bGt8b2tiaTVfDDXyk1Kj1cAVtGwMe6a7-hX

*: Impacts have been calculated with consideration of share of the total project cost that is financed by the issuer



No.18 Fuxingmennei Street, Xicheng District, Beijing, P.R. China 100031
TEL: 86-10-6830 6789
FAX: 86-10-6830 6699
E-MALL: csr@cdb.cn
WEBSITE: www.cdb.com.cn





Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing, China 100738

安永华明会计师事务所（特殊普通合伙）
中国北京市东城区东长安街1号
东方广场安永大楼16层
邮政编码: 100738

Tel 电话: +86 10 5815 3000
Fax 传真: +86 10 8518 8298
ey.com

Independent Limited Assurance Report to the Directors of China Development Bank

Scope

We have been engaged by the Directors of the China Development Bank (the “Bank”) to perform a limited assurance engagement over the *2017 Annual Report on China Development Bank’s 2017 Green Bond* (the “2017 annual report”) as to whether anything came to our attention to cause us to believe that the subject matter as described below (“Subject Matter”), in all material respects, does not meet the criteria as set out below.

Subject matter

The subject matter for our assurance is related to the Bank’s 2017 Green Bond management, as described in the *Interim Measures for the Administration of China Development Bank’s Offshore Green Bonds* (the “Guideline”) and *Green Bond Framework of China Development Bank* (the “Framework”) including:

- Use and management of proceeds,
- Project evaluation and selection performed by management,
- Information disclosure and reporting.

For the following disbursed category by the Bank:

- Energy

Criteria

The criteria for our procedures are the *Green Bond Principles (2017)* published by The Executive Committee of the Green Bond Principles (GBP) (the International Capital Market Association (ICMA) serves as its secretariat), the *Climate Bonds Standard* published by the Climate Bonds Initiative and the Climate Bond Standard Sector Eligibility Criteria for:

- Energy

Management Responsibility

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

- Preparation, presentation and implementation of the use of proceeds described in the Guideline and the Framework in accordance with the *Green Bond Principles (2017)* and the *Climate Bonds Standard*;
- 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 Guideline and the Framework and to meet the criteria as set out in the *Green Bond Principles (2017)* and the *Climate Bonds Standard*;

- Implementation of appropriate risk management and internal controls in relation to the collection, preparation and presentation of project information, the use of proceeds and the unallocated proceeds in accordance with the Guideline and the Framework so that is free from material misstatement, whether due to fraud or error.

Assurance Practitioner's Responsibility

We conducted our limited assurance engagement in accordance with *International Standard on Assurance Engagements 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE 3000') issued by the International Auditing and Assurance Standards 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 Subject Matter, in all material respects, does not meet the Criteria.

Our Approach

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

- Assessing the implementation of policies and procedures established by the Bank related to the issuance of the Bank's 2017 Green Bond;
- Interviewing selected business unit personnel to understand how they identify any risk associated with the situation which could not meet the Criteria and how they implement the policies and procedures to address these risks;
- Reviewing the implementation of Bank's policies and procedures in relation to how Management used and managed proceeds appropriately in the relevant documentation for the Bank's 2017 Green Bond;
- Reviewing the implementation of Bank's policies and procedures in relation to how Management evaluated and selected appropriate projects for the Bank's 2017 Green Bond;
- Reviewing the project documents and confirming the eligibility of all the disbursed projects for inclusion in the Bank's 2017 Green Bond ;
- Reviewing selected environmental performance information for all disbursed projects, and documentation supporting assertions made in the subject matter
- Checking the accuracy of environmental performance calculations performed;
- Reviewing the implementation of Bank's policies and procedures in relation to how Management compiled information and disclosed appropriately in the relevant documentation for the Bank's 2017 Green Bond; and
- Obtaining and reviewing relevant evidence to support the Bank's 2017 Green Bond in compliance with the Criteria.

Assurance Conclusion

Based on our procedures performed, as described in the 2017 annual report as of 31st December 2017, nothing has come to our attention that causes us to believe that the management of the Bank's 2017 Green Bond, 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 *Green Bond Principles* (2017) and the *Climate Bonds Standard's* requirement.

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 ISAE3000 and the Criteria 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 work and report will not express an opinion on the effective and performance of the Bank's management system and procedure.

Our assurance was limited to the Bank's 2017 Green Bond issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as of the 31st December 2017.

Use of Report

Our responsibility in performing our assurance activities is to the Directors of the Bank only and in accordance with terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Bank's 2017 Green Bond issuance is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

Our Independence and Assurance Team

The firm and all professional personnel involved in this engagement have met the independence requirements of mainland China or International professional ethical requirements. Our team has



required competencies and experience for this assurance engagement.

Ernst & Young Hua Ming LLP

Ernst & Young Hua Ming LLP

Beijing, China

30th April 2018

China Development Bank

**Assurance Report of Independent Accountants
on Use of Proceeds from Green Bond Issuance**

As of 31 December 2017



Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza
No. 1 East Chang An Avenue
Dong Cheng District
Beijing, China 100738

安永华明会计师事务所（特殊普通合伙）
中国北京市东城区东长安街1号
东方广场安永大楼16层
邮政编码：100738

Tel 电话: +86 10 5815 3000
Fax 传真: +86 10 8518 8298
ey.com

Report of Independent Accountants

To the directors of China Development Bank:

We were engaged by China Development Bank to provide limited assurance on its management's assertions stated in the Annual Report on China Development Bank's Green Bonds as of 31 December 2017, that the total net proceeds equivalent to CNY11,055.33 million, comprising the 9 November 2017 issuance of USD500,000,000 2.75 percent Note due 2022, and EUR1,000,000,000 0.375 percent Note due 2021, by China Development Bank, (collectively the "November 2017 Green Bond"), were distributed to qualified renewable energy projects (the "Eligible Projects") in accordance with the Eligibility Criteria set forth in Appendix A and the remaining unallocated proceeds were in the form of cash. China Development Bank's management is responsible for management's assertions. Our responsibility is to express an opinion on management's assertions based on our examination.

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. Our firm applies the *International Standard on Quality Control 1* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our examination was conducted in accordance with the *International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements Other Than Audits or Reviews of Historic Financial Information* established by the International Auditing and Assurance Standards Board and included examining, on a test basis, evidence supporting management's assertions and performing other procedures as we considered necessary in order to provide sufficient evidence to form conclusions.

Our examination was not conducted for the purpose of evaluating the completeness of the Eligible Projects disbursements, the environmental benefits of the Eligible Projects, or any other information included in the Annual Report on of China Development Bank's Green Bonds. Accordingly, we do not express an opinion or any other form of assurance other than on the amount of Eligible Projects disbursements as at 31 December 2017.

Based on the limited assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that management's assertions referred to above is not fairly stated, in all material respects, based on the Criteria.



30 April 2018

Appendix A

Management's Assertions on Green Bonds Disbursements as of 31 December 2017

Management of China Development Bank is responsible for the completeness, accuracy and validity of the statements in the session titled "Proceeds Allocation" of the Annual Report on China Development Bank's Green Bonds as of 31 December 2017. We assert that the net proceeds, equivalent to CNY11,055.33 million, from the 9 November 2017 issuance of USD500,000,000 2.75 percent Note due 2022, and EUR1,000,000,000 0.375 percent Note due 2021 by China Development Bank, (together the "November 2017 Green Bond"), were allocated to qualified renewable energy projects in accordance with the Eligible Criteria as specified below, and the remaining unallocated proceeds were in the form of cash.

Eligibility Criteria
Renewable energy: The production and transmission of renewable energy, and the manufacturing of renewable energy appliances and products; renewable energy includes solar energy, and wind energy.