

Assurance Report on Pre-issuance of China Development Bank Green Financial Bond



November 2021

Scope and Objectives

Issuer

China Development Bank (hereinafter referred to as "CDB" or "issuer") was established in 1994 and is a policy financial institution directly under the leadership of the State Council of China. The registered capital of China Development Bank is 421.248 billion yuan. The shareholders are the Ministry of Finance of the People's Republic of China, Central Huijin Investment Ltd., Wutong Tree Investment Platform Ltd. and the National Council for Social Security Fund. And their shareholding ratios are 36.54%, 34.68% and 27.19%, 1.59% respectively. The China Development Bank mainly serves the major medium-term and long-term development strategies of the national economy through financial services such as medium-term and long-term credit and investment.

Bond Information

A Green bond, named "China Development Bank 2021 Green Financial Bond-(Low Carbon Transportation Construction)" (Green Bond) would be issued by China Development Bank, with a scale not exceeding RMB 15 billion (including RMB 15 billion). Low Carbon Transport Projects would be used by the net proceeds.

Verification Institution

China Lianhe Equator Environmental Impact Assessment Co., LTD. (Lianhe Equator) was established in 2015, which primarily engaged in green bond third-party certification, green financial advisory and environmental impact assessment business. The core technical force included a great number of senior environmental protection experts at the provincial and ministerial level, many registered consultants, financial analysts and more than sixty registered environmental impact assessors who have the leading green financial advisory service capabilities in the industry. The Lianhe Equator standardizes the specific certification work with the *Green Bond Assessment and Certification Method System (LEIS0002-2019)* was independently developed. The Lianhe Equator also have conducted this limited assurance engagement in accordance

with the *International Standard on Assurance Engagements 3000 (ISAE 3000): Assurance Engagements other than Audits or Reviews of Historical Financial Information*. In addition, the comprehensive performance of green bond from four dimensions, which were the characteristics of the project, the using and management of the net proceeds, the project evaluation screening and the information disclosure was evaluated. Ultimately, the green bond was evaluated and certified by it.

Verification Work

Verification Contents

Verification contents of Lianhe Equator about China Development Bank 2021 Green Financial Bond following aspects was included that:

- Policies and procedures of the using and management of proceeds.
- Evaluation and screening of project standards, green attributes and compliance.
- Information disclosure and process.

Standard

- *Climate Bonds Standard v3.0*
- *Climate Bonds Standard - Sector Criteria (Low Carbon Transport Version 2.0)*.

Responsibilities

Issuers responsibilities were included the following aspects:

- Accept on-site interviews and due diligence by the verification agency team.
- Provide relevant information data and system documents for the certification work of verification agency.
- Provide relevant information documents for the recruitment and investment projects for the certification work of verification agency.
- Ensure that the supplied information data and system documents real and effective.

Verification agencies responsibilities were including the following aspects:

- Conduct on-site interviews and due diligence, which is based on the

information data, system documents and information documents provided by issuer.

- Issue the verification report and limited assurance conclusion on whether the invested projects meet the climate bond standards.

Lianhe Equator conducted the verification in accordance with the *Climate Bond Standard Version 3.0* and refer to the *International Standard on Assurance Engagements 3000 (Revised) – Assurance Engagements other than Audits or Reviews of Historical Information*.

Overview of Nominated Projects

Table 1

No.	Project	Region	Project Total Investment (RMB billion)	Plan to Invest (RMB billion)	Categories	Project Description
1	Metro Project	Southern China	4.90	1.20	Low carbon transport	The project is located in Guangdong Province of China, it is currently in the construction phase and the length of the railway line will be approximately 22.4km.
2.	Metro Project	Southern China	8.74	2.00	Low carbon transport	The project is located in Guangdong Province of China, it is currently in the construction phase and the length of the railway line will be approximately 40.6km.
3	Metro Project	Southern China	11.32	2.00	Low carbon transport	The project is located in Guangdong Province of China, it is currently in the construction phase and the length of the railway line will be approximately 15.2km.
4	Metro Project	Southern China	19.56	1.20	Low carbon transport	The project is located in Guangxi Province of China, it is currently in the construction phase and the length of the railway line will be approximately 27.65km.

5	Metro Project	Southern China	16.71	0.512	Low carbon transport	The project is located in Guangxi Province of China, it is currently in the construction phase and the length of the railway line will be approximately 20.38km.
6	Metro Project	Southern China	35.40	1.50	Low carbon transport	The project is located in Fujian Province of China, it is currently in the construction phase and the length of the railway line will be approximately 62.4km.
7	Metro Project	Northern China	18.27	1.20	Low carbon transport	The project is located in Liaoning Province of China, it is currently in the construction phase and the length of the railway line will be approximately 23.80km.
8	Metro Project	Northern China	18.37	0.50	Low carbon transport	The project is located in Liaoning Province of China, it is currently in the construction phase and the length of the railway line will be approximately 23.008km.
9	Metro Project	Southern China	19.61	0.80	Low carbon transport	The project is located in Fujian of China, it is currently in the operational phase and the length of the railway line will be approximately 24.7km.
10	Metro Project	Southern China	11.6	0.40	Low carbon transport	The project is located in Fujian of China, it is currently in the operational phase and the length of the railway line will be approximately 13.86km.
11	Metro Project	Southern China	22.98	0.80	Low carbon transport	The project is located in Fujian of China, it is currently in the construction phase and the length of the railway line will be approximately 44.78km.
12	Metro Project	Northern China	19.34	3.073	Low carbon transport	The project is located in Heilongjiang of China, it is currently in the construction phase and the length of the railway line will be approximately 26.5km.

Total Amount	15.185
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Pre-Issuance Requirements and Verification found

Table 2

1. Use of Proceeds		
Climate Bonds Standard Requirement	Findings	Requirement Met
<p>1.1 The Issuer shall document the Nominated Projects & Assets which are proposed to be associated with the Bond and which have been assessed as likely to be Eligible Projects & Assets. The Issuer shall establish a list of Nominated Projects & Assets which can be kept Up To Date during the term of the Bond.</p>	<p>The issuer has established a Nominated Projects & Assets List for Eligible Projects & Assets. The list of projects will be continuously updated during the term of the bond.</p>	Yes
<p>1.2. The expected Net Proceeds of the Bond shall be no greater than the Issuer’s total investment exposure to the proposed Nominated Projects & Assets, or the relevant proportion of the total Market Value of the proposed Nominated Projects & Assets which are owned or funded by the Issuer.</p>	<p>The expected Net Proceeds of the Bond will not greater than RMB 15 billion. The total amount of the listed project is RMB 15.185 billion. Therefore, it is expected that the Net Proceeds of the bond will not exceed the Issuer’s total investment exposure to the proposed Nominated Projects & Assets.</p>	Yes
<p>1.3 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p>	<p>Nominated Projects & Assets will not nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments.</p>	Yes
<p>1.3.1 Distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bond, green loans or other labelled instruments or;</p>		
<p>1.3.2 The existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p>		
2. Process for Evaluation and Selection of Projects and Assets		
Climate Bonds Standard Requirement	Findings	Requirement Met
<p>2.1. The Issuer shall establish, document and maintain a decision-making process which it uses to determine the eligibility of the Nominated Projects & Assets. The decision-making process shall include, without limitation:</p>	<p>The issuer has established the responsibilities and decision-making process, refer to <i>China Development Bank Green Bond Management Framework</i> (the “Framework”).</p>	Yes
<p>2.1.1. A statement on the climate-related objectives of the Bond.</p>	<p>For this issuance, the net</p>	Yes

	proceeds of the climate-related objectives of the Bond will be invested into the low carbon projects to conform with the objective of low carbon economy. The detailed statement will be specified in the prospectus.	
2.1.2 How the climate-related objectives of the Bond are positioned within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability.	The issuer is a policy bank, it is positioned in the strategy of serving the country, and financial resources are towards green finance and environmental sustainability. The climate-related objectives of the bond conform to the issuer's policy and strategy.	Yes
2.1.3 Issuer's rationale for issuing the Bond.	This issuance aims to promote the low carbon economy development. The detailed description will be specified in the prospectus.	Yes
2.1.4 A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard.	Specified in the Use of Proceeds, Project Evaluation and Selection part of the Framework.	Yes
2.2 Issuer should include under Clause 2.1 further aspects of the decision-making process, including:	By reviewing the Framework, we found that the issuer has include under Clause 2.1 further aspects of the decision-making process.	Yes
2.2.1 Related eligibility criteria, including, if applicable, exclusion criteria or any other process, applied to identify and manage potentially material environmental, social or governance risks associated with the Nominated Projects & Assets.	The issuer has established related eligibility criteria and system, managed the nominated projects & assets from environmental and social risks aspects. The detailed description will be specified in the prospectus.	Yes
2.2.2 Green standards or certifications referenced in the selection of Nominated Projects & Assets.	Specified in the Use of Proceeds part of the Framework.	Yes
2.2.3 The issuer shall assess that all proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.	The proposed Nominated Projects & Assets to be associated with the Bond meet the documented objectives as stated under Clause 2.1.1 and are likely to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard.	Yes

3. Management of Proceeds

Climate Bonds Standard Requirement	Findings	Requirement Met
<p>3.1 The systems, policies and processes to be used for management of the Net Proceeds shall be documented by the Issuer and disclosed to the Verifier, and shall include arrangements for the following activities:</p>	<p>The issuer has engaged the independent third party- Lianhe Equator Environmental Impact Assessment Co., LTD. to conduct pre-issuance assurance, also the issuer will conduct post-issuance assurance. The systems, policies and processes to be used for management of the Net Proceeds are documented by the Issuer and disclosed to the third party.</p>	<p>Yes</p>
<p>3.1.1 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 the Framework, the issuer has defined the responsibility on the use and management of proceeds. The issuer will maintain a ledger to keep track of the use of proceeds.</p>	<p>Yes</p>
<p>3.1.2 The balance of unallocated Net Proceeds can be managed as per the requirements in Clause 7.3.</p>	<p>By reviewing the Framework, the balance of unallocated Net Proceeds will be documented in the ledger. Any balance of issuance proceeds which are not allocated will be invested in Green Bonds (the bonds will NOT be related to greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy) issued by non-financial institutions, and in money market instruments with good market liquidity.</p>	<p>Yes</p>
<p>3.1.3 The earmarking process 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.</p>	<p>By reviewing the Framework, the issuer will maintain a ledger to manage and account for funding to the Nominated Projects & Assets and enable estimation of the share of the Net Proceeds being used for financing;</p>	<p>Yes</p>

4. Reporting Prior To Issuance

Climate Bonds Standard Requirement	Findings	Requirement Met
<p>4.1 The Issuer shall prepare a Green Bond Framework and make it publicly available prior to Issuance or at the time of Issuance. The</p>	<p>The issuer has established <i>China Development Bank</i></p>	<p>Yes</p>

Green Bond Framework shall include, without limitation:	<i>Green Bond Management Framework.</i>	
4.1.1 Confirmation that the Bonds issued under the Green Bond Framework are aligned with the Climate Bonds Standard. This may include statements of alignment with other applicable standards, such as the EU Green Bond Standard, the ASEAN Green Bond Standard, Chinese domestic regulations, Japanese Green Bond Guidelines, etc.	By reviewing the Framework, we found that the bond issued is aligned with the Chinese domestic regulations and Climate Bonds Standard.	Yes
4.1.2 A summary of the expected use of proceeds, as defined under Clause 1.1, and the expected contribution of the relevant sectors or sub-sectors to the rapid transition required to achieve the goals of the Paris Climate Agreement.	The summary of the expected use of proceeds is disclosed Table 1, all the sectors belong to the low carbon industry to achieve the goals of Paris Climate Agreement.	Yes
4.1.3 A description of the decision-making process, as defined under Clause 2.1, with particular reference to the requirements in Clause 2.1.2.	A description of the decision-making process is specified in the Framework.	Yes
4.1.4 on the methodology and assumptions to be used for: confirming, where required by relevant Sector Eligibility Criteria, the characteristics or performance of Nominated Projects & Assets required to conform to the relevant eligibility requirements under Part C of the Climate Bonds Standard; and any other additional impact metrics that the issuer will define.	The methodology and assumptions to be used for confirming the characteristics or performance of Nominated Projects & Assets Specified is specified in Framework.	- Yes
4.1.5 A summary of the approach to the management of unallocated Net Proceeds in accordance with Clause 3.1.	A summary of the approach to the management of unallocated Net Proceeds is specified in the Framework.	Yes
4.1.6 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding.	The issuer will engage a qualified independent third party to conduct post-issuance assurance to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding.	Yes
4.1.7 The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall. Where there are limits on the amount of detail that can be made available about specific Nominated Projects & Assets, information shall be presented on the investment areas which the Nominated Projects & Assets fall into, provided in Clause 9.1, and the Issuer shall provide an explanation of why details on Nominated Projects & Assets is limited.	The list of proposed Nominated Projects & Assets associated with the Bond and the investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall is disclosed in Table 1.	Yes
4.1.8 Where a proportion of the Net Proceeds are used for refinancing, an estimate of the share of the Net Proceeds used for financing and refinancing, and the relevant Nominated Projects & Assets or investment areas which may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.	The estimate of the share of the Net Proceeds used for financing is disclosed in the issuance document.	Yes
4.2 The Issuer shall include in the Disclosure Documentation:	/	/
4.2.1 The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall.	The investment areas, as provided in Clause 9.1, into which the Nominated Projects & Assets fall is disclosed in Table 1.	Yes
4.2.2 The intended types of temporary investment instruments for	Any proceeds which are	Yes

the management of unallocated Net Proceeds in accordance with Clause 7.3.	temporarily unallocated to Eligible Green Projects will be invested in Green Bonds (the bonds will NOT be related to greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy) issued by non-financial institutions, and in money market instruments with good market liquidity, and will be managed to comply with liquidity management policy. This is disclosed in the Framework.	
4.2.3 The Verifier engaged by the Issuer for the mandatory verification engagements.	The issuer has engaged Lianhe Equator Environmental Impact Assessment Co., LTD. to conduct pre-issuance assurance, also the issuer will engage Lianhe Equator Environmental Impact Assessment Co., LTD. to conduct post-issuance assurance.	Yes
4.2.4 The intended approach to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding, including the location of the published documents.	The issuer will engage Lianhe Equator Environmental Impact Assessment Co., LTD. to conduct post-issuance assurance to providing Update Reports to reaffirm conformance with the Climate Bonds Standard while the Bond remains outstanding.	Yes
4.2.5 The CBI Disclaimer provided in the Certification Agreement.	The CBI Disclaimer provided in the Certification Agreement is specified in the issuance document.	Yes

Verification and Conclusion

Verification Opinions

China Development Bank Green Bond Management Framework which issued by CDB has reviewed by Lianhe Equator. Lianhe Equator has interviewed the leadership and relevant responsible department of CDB. In addition, it was not found any discrepancies of CDB in the using and management of proceeds, project evaluation and screening, information disclosure and reporting.

Limited Assurance Conclusion

This Green Bond issuance scale will not exceed RMB 15 billion, including 12 nominated projects which are Low carbon transport. The total amount which will invest will be RMB 15.185 billion which cover the green bond issuance quota. Based on the limited assurance procedures conducted, nothing has come to Lianhe's attention that causes us to believe that, in all materials aspects, China Development Bank 2021 Green Financial Bond- Low Carbon Transportation Construction is not in conformance with the requirements of the Climate Bonds Standard Version 3.0.

Statement

The copyright of the verification suggestions belongs to the verification agency and the issuer can publish the suggestions after obtaining the permission of the verification agency.

Except for the principal relationship between the verification authority and the issuer, there is no relationship among the verification authority, the verification personnel and the issuer that influences the independence, objectivity and impartiality of the verification action.

The conclusion of this verification report is that on the basis of sufficient investigation, reasonable evidence collection and comprehensive analysis, the verification agencies make independent judgments according to reasonable standards and procedures without changing their verification suggestions due to the improper influence of issuers and any other organizations or individuals.

The primary purpose of this verification is to verify the purpose and management of the green bond fund-raising, project evaluation and screening, and information disclosure. It only provides information support in the above fields. The verification agency does not accept liability for damages arising from erroneous or incomplete information from the issuer.

In this verification, the issuer is responsible for the completeness, accuracy and timeliness of the verification suggestions, which are based on the information provided by the issuers.

There are some inherent limitations in this verification process. For example, it

may be difficult to detect fraud, errors and irregularities if the verification is conducted only on selected information.

This verification suggestion can not be interpreted as any indication or guarantee for relevant bond investment decisions. In any case, this suggestion can not be used as an explanation or guarantee for the actual situation of bond economic performance, credit evaluation and fund-raising purposes.

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