

Independent Limited Assurance Report to the Directors of China Development Bank

Scope

We have been engaged by the directors of the China Development Bank (“CDB”) to perform a limited assurance engagement over the *Description on China Development Bank’s 2017 Green Bond* (the “Description”) 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 CDB’s 2017 Green Bond issuance process, 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 nominated and will be potentially disbursed categories by CDB:

- Energy,
- Transport
- Water.

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* (V2.1) published by the Climate Bonds Initiative and the Climate Bond Standard Sector Eligibility Criteria for:

- Energy,
- Transport,
- Water.

Management Responsibility

The management of CDB (“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 (V2.1)*;
- 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 (V2.1)*;
- Establishing 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 policies and procedures established by the management of CDB related to the issuance of CDB’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 what are the policies and procedures for CDB to address these risk;
- Reviewing CDB’s policies and procedures in relation to how Management evaluated and selected appropriate project(s) for CDB’s 2017 Green Bond;
- Reviewing CDB’s policies and procedures how Management compiled the information and disclosed appropriately in the relevant documentation for CDB’s 2017 Green Bond;

- Reviewing eligibility of all the nominated projects for inclusion in CDB's 2017 Green Bond; and
- Obtaining and reviewing relevant evidence to support CDB's 2017 Green Bond in compliance with the Criteria

A summary of our procedures is shown in this Table.

Item	Section	Clause	Assurance Procedures
1	Selection of Nominated Projects and Assets	1.1.	<ul style="list-style-type: none"> • Reviewed the Guideline for alignment with the Climate Bond Standard's taxonomy and the process for selecting Nominated Projects
		1.2	<ul style="list-style-type: none"> • Obtained and reviewed relevant evidence relating to the project techniques and environmental performance
		1.3	<ul style="list-style-type: none"> • Reviewed the nominated project list
		1.4	<ul style="list-style-type: none"> • Reviewed the nominated project list to assess if they are inappropriately nominated to other Climate Bonds
		1.5	<ul style="list-style-type: none"> • Reviewed the loan amount of nominated projects
2	Internal Control	2.1	<ul style="list-style-type: none"> • Reviewed the Guideline against the <i>Climate Bonds Standard (V2.1)</i> for the process for tracking the proceeds of the bond • Reviewed the proposed investment options for unallocated Net Proceeds • Reviewed the process of managing the proceeds allocated to the Nominated Projects
3	Reporting Prior to Issuance	3.1	<ul style="list-style-type: none"> • Reviewed the Guideline against the <i>Climate Bonds Standard (V2.1)</i> for the disclosure of project information • Reviewed the Guideline against the <i>Climate Bonds Standard (V2.1)</i> for the disclosure of the use of proceeds and the unallocated proceeds • Reviewed the Guideline and the Framework against the <i>Green Bond Principles (2017)</i> and the <i>Climate Bonds Standard (V2.1)</i> for the engagement of the third party verifier • Reviewed the Guideline against the <i>Climate Bonds Standard (V2.1)</i> for the post issuance assurance arrangements

Assurance Conclusion

Based on our procedures performed, as described in this report as of 2nd November 2017, nothing has come to our attention that causes us to believe that the bond issuance process of CDB'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 (V2.1)*'s Pre-Issuance Requirements.

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 CDB's management system and procedure.

Our assurance was limited to CDB'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 2nd November of 2017, ahead of the issuance of CDB's 2017 Green Bond.

Our assurance work of projects evaluation was limited to CDB's 2017 Green Bond Issuance nominated categories.

Use of Report

Our responsibility in performing our assurance activities is to the Directors of the CDB 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 CDB'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

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Beijing, China

2nd November 2017