

Industrial Bank Co., Ltd.

POST-ISSUANCE VERIFICATION LETTER

WIND ENERGY AND LOW CARBON LAND TRANSPORT SECTOR CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: February 2019

Approved verifier: Sustainalytics

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Scope and Objectives

In November 2018 Industrial Bank Co., Ltd. (Industrial Bank Co.) issued green bonds aimed at financing the implementation of environmental protection endeavours in accordance with China's National 13th Five-year Plan. In January 2019, Industrial Bank Co. engaged Sustainalytics to review the projects funded through the issued green bonds, and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Nominated green bond projects include:

- Renewable Energy (onshore wind energy generation facilities)
- Low Carbon Land Transport (electrified urban rail transit and electric metro lines)

Schedule 1 provides details of the green bond projects and disbursement of proceeds.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

Issuing Entity's Responsibility

Industrial Bank Co. is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each projects, and disbursed amounts.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of Industrial Bank Co.'s 2018 green bond, issued to finance wind energy, and low carbon land transport projects and provided an independent opinion informing Industrial Bank Co. as to the conformance of the green bond with the Post-Issuance requirement of the wind energy and low carbon land transport sector criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Industrial Bank Co. with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by Industrial Bank Co.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included conversations with relevant Industrial Bank Co. employees and review of relevant documentation to confirm the conformance of Industrial Bank Co.'s green bonds with the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

Exceptions

No exceptions were identified.

All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance to the wind energy and low carbon land transport sector criteria.

Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of RMB 2280.94 million from the Industrial Bank Co. green bonds, issued to fund eligible green projects, is not in conformance with the Post-Issuance requirements of the Climate Bonds Standard.

Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Compliance to Part A: General Requirements	Verification of five projects funded by the green bond in 2018 to determine if Part A: General Requirements were met (See Schedule 2A and 2B).	All five projects reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of five projects funded by the green bond in 2018 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Industrial Bank Co.'s technical criteria.	All five projects fall under the wind energy and low carbon land transport sector criteria and meet the requirements of the wind energy and low carbon land transport sector technical criteria.	None
Compliance to Part C: Requirements for Specific Bond Types	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects are provided below:

Renewable Energy:

Project name	RE Project 1	RE Project 2
Technology	Onshore Wind Power	Onshore Wind Power
Location	China	China
Installed Capacity	40 MW	48.4 MW
CO2 Reduction by 2023(ton/y)	15.415,07	41.176,93
CO2 Reduction by 2045 (ton/y)	15.415,07	41.176,93
SO2 Reduction (ton/y)	2,04	12,25
NOx Reduction (ton/y)	2,91	15,54
Other impacts		Reduction of 5390 tons of lime ash/y

Low Carbon Land Transportation:

Project name	Transport Project 1	Transport Project 2	Transport Project 3
Description	Electrified urban metro with 9.461 KM length and six underground stations	Electrified urban metro with 43.2 KM length and 32 underground stations	Electrified urban metro with 36.72 KM length
Location	China	China	China
Type of technology	Electrified Metro	Electrified Metro	Electrified Metro
CO2 Reduction by 2023 (ton/y)	571,36	2.099,41	871,19
CO2 Reduction by 2045 (ton/y)	5.316,97	6.008,12	5.030,91

Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	<p>4.1 Statement on the environmental objectives of the bond</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p>5.1 Net Proceeds of the bond allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the bond and the Nominated Projects & Assets to the market</p>
Reporting Post-Issuance	<p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the bond have been allocated</p>

Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the bond is to primarily use proceeds to finance Renewable Energy (onshore wind energy generation facilities) and Clean Transportation (electrified urban rail transit and electric metro lines) projects.</p> <p>4.2 Industrial Bank Co.'s management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>4.3 Industrial Bank Co.'s management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p>5.1 34.82% of Net Proceeds of the bond have been allocated to the five Nominated Projects.</p> <p>5.2 Industrial Bank Co.'s management has confirmed that 34.82% funds have been allocated to the Nominated Projects within one month of the issuance. Industrial Bank Co. confirmed that it intends to allocate all proceeds within 24 months after issuance.</p> <p>5.3 Industrial Bank Co.'s management has confirmed that all Net Proceeds of the bond were used for financing only.</p> <p>5.4 Industrial Bank Co.'s management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process using a separate "Green Bond Ledger".</p> <p>5.5 Industrial Bank Co.'s management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects. (see Schedule 3 for projects for future allocation)</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 Industrial Bank Co.'s management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p>6.2 Industrial Bank Co.'s management confirms that pending the investment of proceeds, unallocated proceeds will be held in accordance with IB's prudent liquidity management policy. It could be temporarily invested in Green bonds issued by non-financial institutions in domestic or international markets, or in money market instruments with good credit rating and market liquidity until they are allocated to Eligible Green Projects. It will not be invested in energy intensive, highly polluting nor greenhouse gas intensive projects and will be subject to the Exclusionary List.</p> <p>6.3 N/A</p>	None

<p>Verification of requirements specified under Confidentiality</p>	<p>7.1 Industrial Bank Co.'s management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p>7.2 Industrial Bank Co.'s management confirms that all relevant information about the bond and the Nominated Projects have been disclosed to the market.</p>	<p>None</p>
<p>Verification of requirements specified under Reporting Post-Issuance</p>	<p>8.1 Industrial Bank Co.'s management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1).</p>	<p>None</p>

Schedule 3: Detailed Overview of Projects and Assets for Future Allocation

Details of future Nominated Projects are provided below:

Renewable Energy:

Project name	Technology	Location	Installed capacity
RE Project 3	Onshore Solar Power	China	35.316 MW
RE Project 4	Onshore Wind Power	China	100 MW
RE Project 5	Onshore Wind Power	China	100 MW

Low Carbon Land Transportation:

Project name	Description	Type of transportation	Location
Transport Project 4	Three underground metro stations	Electrified Metro	China

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In case of discrepancies between the English language and translated versions, the English language version shall prevail.

Sustainalytics

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For more information, visit www.sustainalytics.com

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