

Industrial Bank Co.

PRE-ISSUANCE VERIFICATION LETTER

WIND ENERGY CRITERIA OF THE CLIMATE BONDS STANDARD

SOLAR ENERGY CRITERIA OF THE CLIMATE BOND STANDARD

LOW CARBON LAND TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: October 2018

Approved verifier: Sustainalytics

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Scope and Objectives

Industrial Bank Co., (“IB” or “the company”) has engaged Sustainalytics to review and verify that Industrial Bank Co.’s green bond meets the requirements under the Wind Energy Criteria, Solar Energy Criteria and the Low Carbon Transport Energy Criteria of the Climate Bonds Standard.

Industrial Bank Co. is a publicly listed Chinese bank providing personal banking, corporate banking and institutional banking services in the People’s Republic of China. The company was founded in 1988 and is based in Fuzhou, Fujian, China.

IB has transitioned its philosophy from “shareholders’ interest foremost” to “giving consideration to the interests of stakeholders” and the “harmonious unification of the economy, society, and the environment and sustainable development of bank”. To achieve its sustainability vision, IB has promoted green finance in the Chinese market and directly contributed to the design of the People’s Bank of China’s (PBOC) Green Bond Issuance Guidelines.¹² To confirm its adherence to green financing, in 2016 IB issued three bonds following the PBOC Green Bond Issuance Guidelines³ with a combined par value of RMB 50 billion (USD 7.2 billion), and used the proceeds to finance projects related environmental protection, energy efficiency, clean energy, resource conservation and recycling, clean transportation, ecological protection and climate change mitigation and adaptation.

Industrial Bank Co. is intending to issue green bonds in order to finance or refinance, in whole or in part, ‘Eligible Green Assets’ related to:

- Renewable Energy (onshore wind and solar generation facilities)
- Clean Transportation (electrified urban rail transit and electric metro lines)

In line with its stated philosophy to unify the economy, the society and environment and to promote green finance in China, the objective of IB’s current green bond issuance is to showcase its support for environmentally impactful investments in alignment with current green bond market standards, namely: ICMA’s 2018 Green Bond Principles, The Guidelines for Establishing a Green Finance System, the People’s Bank of China (PBOC), Ministry of Finance, National Development and Reform Commission (NDRC), Ministry of Environmental Protection, China Banking Regulatory Commission, China Securities Regulatory Commission (CSRC), China Insurance Regulatory Commission (CIRC), and the Green Bond Categories established by the People’s Bank of China (PBOC).

Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

¹ A CBI overview for the People’s Bank of China Green Bond Issuance Guidelines available at: <https://www.climatebonds.net/2017/05/china-issues-special-green-bonds-guidelines-listed-companies-new-china-local-govt-green-bond>

² The People’s Bank of China Green Bond Issuance Guidelines available at: <http://www.csrc.gov.cn/pub/zjhpublic/G00306201/201703/p020170303534078925053.pdf>

³ IB confirmed that an independent third-party (The Research Center for Energy of the Central University of Finance and Economics in Beijing) verified the compliance of the three issuances with the PBOC Green Bond Issuance Guidelines

- Wind Energy⁴
- Solar Energy⁵
- Low Carbon Transport⁶

Issuing Entity's Responsibility

Industrial Bank Co. was responsible for providing information and documents relating to:

- The details concerning the selection process for the Eligible Green Assets
- The details of the Eligible Green Assets
- The management systems for internal processes and controls for Eligible Green Assets, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Eligible Green Assets
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

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 green bond, issued to finance Eligible Green Assets, and provided an independent opinion informing Industrial Bank Co. as to the conformance of the green bond with the Pre-Issuance requirements of the Wind Energy Criteria, the Solar Energy Criteria and the Low Carbon Transport Criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by Industrial Bank Co. Sustainalytics is not responsible if any aspect of the Eligible Green Assets referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by Industrial Bank Co. management and used as a basis for this assessment were not correct or complete.

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

The work undertaken as part of this engagement included conversations with relevant Industrial Bank Co. employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of Industrial Bank Co.'s green bond with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Wind Energy Sector, Solar Energy Sector and Low Carbon Transport Sector
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

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

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give reasonable assurance that Industrial Bank Co.'s green bond meets the

⁴ Wind Energy Criteria available at: <https://www.climatebonds.net/files/files/Sector%20Criteria%20-%20Wind.pdf>

⁵ Solar Energy Criteria available at: https://www.climatebonds.net/files/files/Sector%20Criteria%20-%20Solar%20v2_1.pdf

⁶ Low Carbon Transport Criteria available at: <https://www.climatebonds.net/files/files/Low%20Carbon%20Transport%20Background%20Paper%20Feb%202017.pdf>

requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that Industrial Bank Co. will ensure compliance with Climate Bond Standard requirements.

Conclusion

Industrial Bank Co.'s green bond will finance or refinance, in whole or in part, Eligible Green Assets related to (i) Renewable Energy (onshore wind and solar power generation facilities) and (ii) Clean Transportation (electrified urban rail transit and electric metro lines). Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, Industrial Bank Co.'s green bond is not in conformance with the Wind Energy Criteria, the Solar Energy Criteria and the Low Carbon Transport Criteria of the Climate Bond Standard Pre-Issuance Requirements.

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The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization and supports various stakeholders in the development and verification of their frameworks. Global Capital named Sustainalytics the "Most Impressive Second Party Opinion Provider in 2017. In 2018, the firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan for its contribution to the growth of the Japanese Green Bond Market.

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