

Shanghai Pudong Development Bank

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON LAND TRANSPORT AND LOW CARBON BUILDINGS CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: September 2019

Approved verifier: Sustainalytics

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Scope and Objectives

Shanghai Pudong Development Bank (SPDB or “the company”), has engaged Sustainalytics to review and verify that SPDB’s green bond meets the requirements under the Low Carbon Land Transport and Low Carbon Buildings criteria of the Climate Bonds Standard.

SPDB is a joint stock commercial bank with a presence in People’s Republic of China. The bank focuses on providing financial services such as corporate and personal banking in China and overseas. Along with its growth, it also contributes to economic development and social progress within People’s Republic of China. Being the first financial institution in China that issued a green bond, SPDB initiates several projects related to local environmental protection and education, such as its ‘Zero-waste’ environmental protection initiative in 2018, and ‘World Car Free Day’ in September 2018.

In order to demonstrate its commitment towards its sustainability goals, SPDB intends to issue green bonds and use the proceeds to finance and/or refinance, loans to assets or projects that contribute to energy conservation and emission reduction, while building resilience to climate change in the following use of proceeds categories: (i) Clean Transportation, and (ii) Green Buildings.

Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- Low Carbon Land Transport
 - Public Passenger Transport
 - Criterion 3: Emissions threshold for public passenger transport
- Low Carbon Buildings
 - Commercial Buildings

Issuing Entity’s Responsibility

SPDB 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 Nominated Projects
- 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 SPDB's green bond, issued to finance Nominated Projects, and provided an independent opinion informing SPDB as to the conformance of the green bond with the Pre-Issuance requirements, and Low Carbon Land Transport and Low Carbon Buildings criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by SPDB. 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 SPDB 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 SPDB 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 SPDB's green bond with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Land Transport and Low Carbon Buildings
- 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 limited assurance that the Green Bond Framework of Shanghai Pudong Development Bank (SPDB) meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that SPDB will ensure compliance with Climate Bond Standard requirements.

Conclusion

With its Green Bond Framework, Shanghai Pudong Development Bank (SPDB) intends to finance clean transportation and green building projects that have an overall positive impact on the environment and promote the transition to a low carbon and climate resilient economy. Based on the limited assurance procedures conducted of SPDB's Green Bond Framework under the, Low Carbon Land Transport and Low Carbon Buildings criteria of the Climate Bonds Standard, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, SPDB's green bond is not in conformance with the Climate Bond Standard's Pre-Issuance Requirements.

Schedule 2A: Pre-Issuance General Requirements

Selection of Nominated Projects and Assets:	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p>1.3 Document a list of Nominated Projects and Assets</p> <p>1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p>1.5 Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets</p>
Internal Processes and Controls	<p>2.1.1 Tracking of proceeds</p> <p>2.1.2 Managing of unallocated proceeds</p> <p>2.1.3 Earmarking funds to Nominated Projects and Assets</p>
Reporting Prior to Issuance	<p>3.1.1 Investment area of Nominated Projects and Assets</p> <p>3.1.2 Intended types of temporary investments for the management of unallocated proceeds</p> <p>3.1.3 Approach of Verifier</p> <p>3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements</p>

Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of requirements specified under Selection of Nominated Projects and Assets	<p>1.1 The objective of the bond is to primarily use proceeds to finance or refinance Eligible Green Assets that contribute to energy conservation and emission reduction, while building resilience to climate change in China.</p> <p>1.2 The Nominated Projects and Assets meet the (i) Low Carbon Land Transport, and (ii) Low Carbon Buildings criteria of the Climate Bond Standard.</p> <p>1.3 The Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> • New construction of buildings which obtained or expect to obtain green building certifications of the following standards: (i) Chinese Green Building Evaluation Label - 3 Stars • Purchase and construction of infrastructure related to electrified railway traffic, urban rail transit, electrified transport, such as public electric buses and electric taxis <p>1.4 SPDB's management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p>1.5 SPDB's management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	None
Verification of requirements specified under Internal Processes and Controls	<p>2.1.1 SPDB's management confirms that proceeds will be segregated and tracked in a systematic manner and will be exclusively used to finance Nominated Projects.</p> <p>2.1.2 SPDB's management confirms that unallocated proceeds will be invested in money market instruments with good credit rating and market liquidity.</p> <p>2.1.3 SPDB's management has confirmed that the proceeds from the bond will be recorded in an independent register and tracked internally through a formal internal process.</p>	None
Verification of requirements specified under Reporting Prior to Issuance	<p>3.1.1 SPDB's management confirms that the proceeds of the transaction will primarily be used to Eligible Green Assets related to Clean Transportation and Green Buildings, including (i) New constructions of buildings which obtained or expect to obtain green building certifications, and (ii) Purchase and construction of infrastructure related to electrified</p>	None

	<p>railway traffic, urban rail transit, electrified transport, such as public electric buses and electric taxis.</p> <p>3.1.2 SPDB's management confirms that unallocated proceeds shall be invested in money market instruments with good credit rating and market liquidity.</p> <p>3.1.3 The bond's offer letter confirms that an approved third-party verifier has been appointed to confirm the bond's conformance with pre-issuance requirements of the Low Carbon Land Transportation and Low Carbon Buildings criteria of the Climate Bonds Standard.</p> <p>3.1.4 The bond's offer letter confirms that an approved third-party verifier will conduct post-issuance assurance exercise within a year's time to reaffirm conformance of the bond with the Low Carbon Land Transportation and Low Carbon Buildings criteria of the Climate Bonds Standard.</p>	
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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports 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. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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