

# Shanghai Pudong Development Bank

## POST-ISSUANCE VERIFICATION LETTER

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

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** September 2020

**Approved verifier:** Sustainalytics

**Contact address for engagement:** De Entrée 35-37 – 1101 BH, P.O. Box 22703 – 1100 DE, Amsterdam, The Netherlands

**Post-Issuance Engagement Leader:** Begum Gursoy, begum.gursoy@sustainalytics.com, (+31) 20 205 0082

---

### Scope and Objectives

In October 2019, Shanghai Pudong Development Bank (SPDB) issued green bonds aimed at financing and/or refinancing electric powered transportation projects and low carbon commercial buildings with third-party certification standards in China. In 2020, SPDB 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.

Green bond projects include:

- 7 electric rail transportation projects,
- 1 electric taxi procurement project, and
- 3 new buildings which have obtained Chinese Green Building Evaluation Label 3 Stars

Schedule 1 provides details of the green bond projects and Disbursement of Proceeds.

### Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 3.0:

- 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

SPDB 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 project, 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 SPDB's green bond, issued to finance eligible assets or projects that contribute to energy conservation, emission reduction and building resilience, and provided an independent opinion informing SPDB as to the conformance of the green bond with the Post-Issuance requirements and Low Carbon Transportation criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by SPDB 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 SPDB.

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 SPDB employees and review of relevant documentation to confirm the conformance of SPDB’s green bond with the Programmatic 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 with the Low Carbon Transportation 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 CNY 2.11 billion (USD 300 million) from the SPDB green bond, 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 11 projects funded by the green bond in 2020 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All 11 projects reviewed complied with the General Requirements.	None
Compliance to Part B: Eligible Projects & Assets	Verification of 11 projects funded by the green bond in 2020 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the Low Carbon Transport and Buildings technical criteria.	8 projects fall under the Low Carbon Transport criteria and meet the Low Carbon Transport technical requirements.  3 projects fall under the Low Carbon Buildings criteria and meet the Low Carbon Buildings technical requirements.	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

As of September 2020, the distribution of the portfolio is as follows:

Green asset category	Number of projects	Projects description	Allocated amount (CNY)	Allocated amount (USD)	Share of outstanding amount	Expected Environmental Output / Benefits
Low Carbon Transport	7	Electric rail transportation projects	1.169 billion	166 million	55%	<ul style="list-style-type: none"> <li>•Total length of tracks built: 201.427 km</li> <li>•Expected total daily passengers: 3.4 million</li> <li>•Estimated CO<sub>2</sub> equivalent emission avoided: 6,859,278 tonnes/year</li> </ul>
	1	Electric taxi procurement project				<ul style="list-style-type: none"> <li>•Number of electric vehicles purchased: 1,300</li> </ul>
Low Carbon Buildings	3	New commercial buildings certified 3 Starts - Chinese Green Building Evaluation Label	0.944 billion	134 million	45%	<ul style="list-style-type: none"> <li>•All three buildings have obtained Chinese Green Building Evaluation Label -3 Stars</li> <li>•Building energy efficiency ratio: 50-53%</li> <li>•Total area of certified green building: 966,800 m<sup>2</sup></li> </ul>
<b>Total</b>	<b>11</b>		<b>2.113 billion</b>	<b>300 million</b>	<b>100%</b>	

## 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 &amp; 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 &amp; 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 &amp; Assets to the market</p>
Reporting Post-Issuance	<p>8.1 Report containing the list of Nominated Projects &amp; 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 electric powered transportation projects and low carbon commercial buildings with third-party certification standards</p> <p>4.2 SPDB's management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>4.3 SPDB'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 Net Proceeds of the bond have been allocated to the 11 Nominated Projects.</p> <p>5.2 SPDB's management has confirmed that funds have been allocated to Nominated Projects within 12 months of the issuance.</p> <p>5.3 SPDB's management has confirmed that all Net Proceeds of the bond were used for financing only.</p> <p>5.4 SPDB's management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p>5.5 SPDB'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.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 SPDB'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 SPDB's management confirms that proceeds have been fully allocated.</p> <p>6.3 N/A</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 SPDB'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 SPDB's management confirms that all relevant information according to the scope laid out by the SPDB Green Bond Framework on the bond and the Nominated Projects has been disclosed to the market.</p>	None
Verification of requirements specified under Reporting Post-Issuance	<p>8.1 SPDB'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>	None

## Disclaimer

**Copyright ©2020 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

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

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



**Named**  
2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider

