

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

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

Pre-Issuance Engagement Leader: Mihai Cojocaru, mihai.cojocaru@sustainalytics.com, (+31) 20 888 7292

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).

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

Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- 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

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>

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 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.

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Projects are provided below:

Renewable Energy:

Project name	Technology	Installed Capacity
1. Baoding Tiansui New Energy Technology Co., Ltd. Great Wall Motor Xu Moisture Photovoltaic Power Station Project	Onshore Solar	35.316 MW
2. Gutian Zhongdian New Energy Power Generation Co., Ltd. Gutian Yiyang Wind Power Plant Phase II Project	Onshore Wind	40 MW
3. Huaneng Jishangwei Manchu Mongolian Autonomous County Wind Power Co., Ltd. Chaoyangwan Wind Power Project	Onshore Wind	100 MW
4. Huaneng Jishangwei Manchu Mongolian Autonomous County Wind Power Co., Ltd. Yangjiawan Wind Power Project	Onshore Wind	100 MW
5. Quanzhou Huadian (Anxi) New Energy Co., Ltd. Anxi Qingyang Wind Power Project	Onshore Wind	48 MW

Clean Transportation:

Project name	Description
1. Xi'an Urban Rail Transit Construction Co., Ltd. Xi'an Urban Rail Transit Construction Project	Xi'an Metro Line 1 has a total length of 31.66 km and is constructed in two phases. The first phase of the main line is 25.36km long. It has 19 stations, two main substations, one depot and integrated base, control center that will be set up and used with line 2. The second phase of the main line is 6.093km long, with 4 stations, sharing the depot and main substation with the first phase. The three stations constructed for this loan project are all underground stations.
2. Zhengzhou Urban Rail Transit Co., Ltd. Zhengzhou Urban Rail Transit Construction Project	The total length of project Zhengzhou Rail Transit Line 2 Phase II is 9.461km, all of which are underground lines. There are 6 stations, and the loan will not be applicable for platforms. The line adopts 6 fixed-group B-type cars with a maximum running speed of 80km/h.
3. Guangzhou Metro Group Co., Ltd. Guangzhou Metro Line 11 Project	Guangzhou Rail Transit Line No. 11 (loop line) is a circular line with a total length of 43.2km. All of which are underground lines. There are 32 stations, one for the vehicle section and three for the main substation.

	The line adopts 8 sets of A-type vehicles and DC1500V overhead contact network for power supply. The maximum running speed will be 80km/h.
4. Xiamen Rail Transit Group Co., Ltd. Xiamen Metro Line 3 project	The metro line starts from Xiamen Railway Station and ends at Xiang'an Airport (under construction) with a total length of 36.72Km, include 29.15km underground section and 6.92km elevated section. There are 26 stations and 2 main substations and control centers (shared with Line 1&2). Line 3 is planned to adopt six groups of B-Type vehicles and DC1500V contact network for power supply. The maximum running speed will be 80km/h.

Schedule 2A: Pre-Issuance General Requirements

<p>Selection of Nominated Projects and Assets:</p>	<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>
<p>Internal Processes and Controls</p>	<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>
<p>Reporting Prior to Issuance</p>	<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
<p>Verification of requirements specified under Selection of Nominated Projects and Assets</p>	<p>1.1 The objective of the bond is to use the proceeds to finance or refinance 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).</p> <p>1.2 The Nominated Projects and Assets meet the Wind Energy Criteria, the Solar Energy Criteria and the Low Carbon Transport Criteria of the Climate Bond Standard.</p> <p>1.3 The Nominated Projects and Assets include 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).</p> <p>1.4 Industrial Bank Co.'s management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p>1.5 Industrial Bank Co.'s management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	<p>None</p>
<p>Verification of requirements specified under Internal Processes and Controls</p>	<p>2.1.1 Industrial Bank Co.'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 Industrial Bank Co.'s management confirms that pending full allocation, the unallocated proceeds will be held in accordance with IB's liquidity management policy. The proceeds 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.</p> <p>2.1.3 Industrial Bank Co.'s management has confirmed that the company will establish a separate 'Green Bond Ledger' to record all net proceeds, which will be deposited in the general funding account and earmarked pending allocation.</p>	<p>None</p>
<p>Verification of requirements specified under Reporting Prior to Issuance</p>	<p>3.1.1 Industrial Bank Co.'s management confirms that the proceeds of the transaction will primarily be used to finance, or refinance Eligible Green Assets related to (i) Renewable Energy (onshore wind and solar power</p>	<p>None</p>

	<p>generation facilities) and (ii) Clean Transportation (electrified urban rail transit and electric metro lines).</p> <p>3.1.2 Industrial Bank Co.'s management confirms that pending full allocation, the unallocated proceeds will be held in accordance with IB's liquidity management policy. The proceeds 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.</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 the pre-issuance requirements of the Wind Energy Criteria, the Solar Energy Criteria and the Low Carbon Transport 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 Wind Energy Criteria, the Solar Energy Criteria and the Low Carbon Transport Criteria of the Climate Bonds Standard.</p>	
--	--	--

Disclaimer

© Sustainalytics 2018. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Green Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

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.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

