

Post Issuance Attestation Report of China Construction Bank Hong Kong Branch's 2018 Sustainability Bond

To China Construction Bank Hong Kong Branch

We have been engaged by China Construction Bank Hong Kong Branch ("the Branch") to examine the assertions in the accompanying the Description on China Construction Bank Hong Kong Branch's 2018 Sustainability Bond ("the Description") (reporting period: from 17 September 2018 to 31 December 2018) and expressed a limited assurance opinion on the Description.

Criteria

The Description is prepared in accordance with the *Green Bond Principles 2018*, *Social Bond Principles 2018* and *Sustainability Bond Guidelines 2018* published by the International Capital Market Association (ICMA).

Management's Responsibility

The management of the Branch (the "Management") is responsible for:

- Preparation of the Description in accordance with the *Green Bond Principles 2018*, *Social Bond Principles 2018* and *Sustainability Bond Guidelines 2018* and to ensure the fair presentation, accuracy, completeness and validity of the information contained in the Description;
- Preparation, presentation and implementation of internal controls in relation to project evaluation and selection, use and management of proceeds, and information disclosure and reporting in accordance with the *China Construction Bank Green, Social and Sustainability Bond Framework* and to meet the criteria as set out in the *Green Bond Principles 2018*, *Social Bond Principles 2018* and *Sustainability Bond Guidelines 2018*.

Assurance Practitioner's Responsibility

We conducted our limited assurance engagement in accordance with *International Standard on Assurance Engagements 3000: Assurance Engagements Other than Audits or Reviews of*

Historical Financial Information ("ISAE 3000") issued by the International Auditing and Assurance Standards Board.

Our responsibility is to express an independent limited assurance conclusion as to whether anything has come to our attention to cause us to believe that the Description, in all material respects, does not meet the Criteria.

Our Procedures

Our assurance procedures performed included, but were not limited to:

- Assessing policies and procedures related to the issuance of the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond;
- Interviewing selected business unit personnel to understand the key issues in relation to the Branch's policies and procedures;
- Reviewing the Branch's policies and procedures in relation to the use and management of proceeds for the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond;
- Reviewing the Branch's policies and procedures in relation to how Management evaluated and selected appropriate project(s) for the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond;
- Reviewing the Branch's policies and procedures in relation to how Management compiled information and disclosed appropriately in the relevant documentation for the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond; and
- Reviewing eligibility of all the nominated projects for inclusion in the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond.

Assurance Conclusion

Based on our procedures performed, as described in this report as of 31 December 2018 nothing has come to our attention that causes us to believe that the assertions in the Description on the use and management of proceeds, project evaluation and selection and information disclosure and reporting of the bond issuance process of the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond are concerned, in all material respects, does not meet the requirement as set out in the *Green Bond Principles 2018*, *Social Bond Principles 2018* and *Sustainability Bond Guidelines 2018*.

Limitations

There are inherent limitations in performing assurance, for example, assurance engagements are based on selective testing of the information being examined and it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures

performed in response to the assessed risks. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions and estimation methods that are developed by the reporting entity. Finally, adherence to Description are subjective and will be interpreted differently by different stakeholder groups.

Our work is substantially less in scope than an audit conducted in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. Accordingly, we do not express an audit opinion.

Our assurance work and report will not express an opinion on the effectiveness and performance of the Branch's management system and procedure.


Our assurance was limited to the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond issuance, and did not include statutory financial statements. Our assurance is limited to policies and procedures in place as at 31 December 2018, ahead of the issuance of the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond.

Use of Report

Our responsibility in performing our assurance activities is to the Branch only and in accordance with terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the China Construction Bank Hong Kong Branch's 2018 Sustainability Bond issuance is entirely at its own risk. No statement is made as to whether the criteria are appropriate for any third party purpose.

Our Independence, Quality Control and Assurance Team

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. We have complied with the quality control requirements of the International Standard on Quality Control 1 issued by the International Auditing and Assurance Standards Board. Our team has required competencies and experience for this assurance engagement.



Ernst & Young Hua Ming LLP

Beijing, China

22 April 2019

Appendix I

China Construction Bank Hong Kong Branch's 2018 Sustainability Bond Description of the use of proceeds (Reporting period: from 17 September 2018 to 31 December 2018)

China Construction Bank Hong Kong Branch (hereinafter referred to as "the Branch") issued its 2018 Sustainability Bond (hereinafter referred to as "the Bond") with a total size of USD 1 billion on 17 September 2018 in accordance with the *Green Bond Principles 2018*, *Social Bond Principles 2018* and *Sustainability Bond Guidelines 2018* published by the International Capital Market Association (ICMA). The Branch discloses the use of proceeds of the Bond and the environmental and social benefits at the end of each year. The use of proceeds raised from our Sustainability Bonds during the reporting period (from 17 September 2018 to 31 December 2018) is reported as follows:

1. Basic Information

1.1 Brief introduction of Sustainability Bonds issuance

The Bank issued its Sustainability Bond in the amount of USD 1 billion on 17 September 2018. The Bond carries a floating interest rate and has a tenor of 3 years. All proceeds raised from the Sustainability Bonds are earmarked to finance green and social projects in accordance with the *Green Bond Principles 2018*, *Social Bond Principles 2018* and *Sustainability Bond Guidelines 2018*.

1.2 The overview of use of proceeds raised from the Bond during the reporting period

During the reporting period, the Bank raised a total of 1 type of green projects and 3 types of social projects. As of 31 December 2018, for the green projects, the total investments amounted to USD 699.99 million, and the funds were injected to clean transportation-oriented projects in line with the *Green Bond Principles 2018* and *Sustainability Bond Guidelines 2018*. For the social projects, the total investments amounted to USD 300.01 million, which was used to support 324 small and medium enterprises (SMEs). The fund was exclusively applied to three types of projects eligible for employment generation, affordable basic infrastructure and access to essential services in line with the *Social Bond Principles 2018* and *Sustainability Bond Guidelines 2018*.

2. Management of the proceeds of the Bond

2.1 Developing the framework of the proceeds management

To standardize the management of the proceeds, protect the interests of investors, ensure exclusive use of proceeds for supporting the green sectors and promote the healthy development of green credit business, China Construction Bank has developed the *China Construction Bank Green, Social and Sustainability Bond Framework*, to have established the criteria for fund use and management, the project selection and evaluation process, and the disclosure and reporting policy. In accordance with the Framework, China Construction Bank Hong Kong Branch (the "Bank") has defined the responsibility for the use and management of proceeds. The proceeds are to be applied to new and/or existing eligible green projects and social projects. The Bank has established a sustainability bond proceeds management and monitoring mechanism to ensure that the flow of funds can be traced, monitored and matched with the projects.

The proceeds of China Construction Bank Hong Kong Branch's 2018 Sustainability Bond are deposited in the general funding accounts and earmarked to Eligible Projects. The Branch maintains a register to keep track of the use of proceeds for the Bond. The register contains the following information, including:

- 1) Type of Funding Transaction-- issuer/borrower entity, transaction date, tranche(s) information, principal amount of proceeds, repayment or amortization profile, maturity date, and interest or coupon (and in the case of bonds, the International Securities Identification Number (ISIN)).
- 2) Allocation of Use of Proceeds
 - Name and description of Eligible Projects to which the proceeds of Sustainability Bonds have been allocated in accordance with the Framework.
 - The remaining balance of unallocated proceeds yet to be earmarked.
 - Other relevant information such as information of temporary investment for unallocated proceeds.

2.2. Project Evaluation and Selection

Proceeds will be allocated to Eligible Green and Social Projects in accordance with the *Green Bond Principles 2018*, *Social Bond Principles 2018*, *Sustainability Bond Guidelines 2018* and *China Construction Bank Green, Social and Sustainability Bond Framework*.

Activities and lending to industries which involve the below sectors are excluded:

- Sectors which are prohibited by laws and regulation in China, such as child labor, gambling industry, adult entertainment and corporations which are in association with illegal activities
- Luxury sectors: precious metals, mineral of precious metals, artworks & antiques, golf course services
- Distillation, rectification and mixed alcoholic beverages
- Production of tobacco and tobacco products
- Hydro power with installed capacity >20MW
- Biomass which is suitable for food source
- Mining and quarrying, as well as fossil fuel-related asset
- Nuclear
- Weapon
- Army vehicles leasing and operation
- Activities which are in relation to hazardous chemicals and radioactive substance

3. Use of Proceeds

The Actual Allocation of the Proceeds

By 31 December 2018, all disbursed proceeds with total amount of USD 1 billion are placed in clean transportation, employment generation, affordable basic infrastructure and access to essential services category.

Table 1: Projects List (Include Green Projects and Social Projects)

Type	Category	Region	Loan Amount (RMB million)	Loan Amount (USD million)	Projects Amount
Green Projects	Clean transportation	Southwest China	4,804.17	699.99	1
Social Projects	Employment generation	Eastern China	985.00	143.52	152
	Affordable basic infrastructure	Southern China	412.90	60.16	66
	Essential services	Northern China	661.10	96.33	106
		Central China			
Total			6,863.17	1000.00 ¹	325

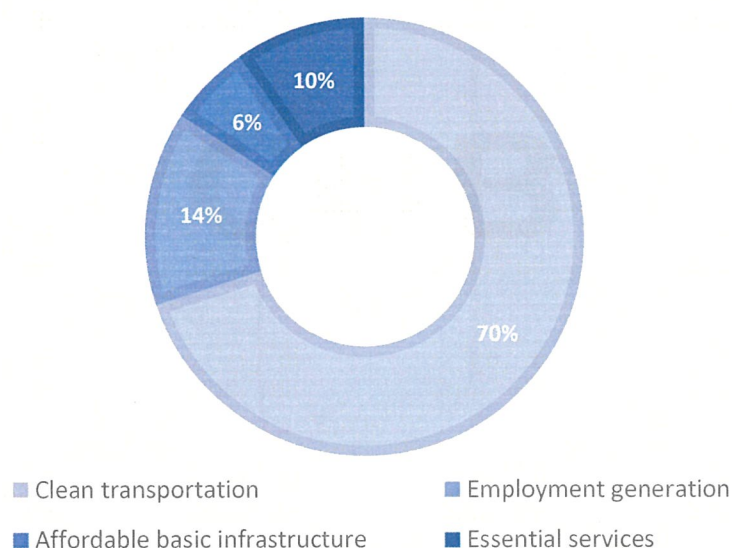


Figure 1: Category distribution of loan amount

¹ The exchange rate of is based on the announcement of the Central bank's exchange rate of 6.8632 on 28 December 2018.

Table 2: Social projects(Category)

Region	Employment generation			Affordable basic infrastructure				Access to essential services				Total	
	Number	Loan Amount (RMB million)	Loan Amount (USD million)	Number	Loan Amount (RMB million)	Loan Amount (USD million)	Number	Loan Amount (RMB million)	Loan Amount (USD million)	Number	Loan Amount (RMB million)	Loan Amount (USD million)	
Eastern China	76	490.40	71.45	23	126.70	18.46	67	430.10	62.67	166	1,047.20	152.58	
Southern China	17	108.35	15.79	19	121.20	17.66	4	20.00	2.92	40	249.55	36.37	
Northern China	36	242.25	35.30	13	92.00	13.41	22	114.00	16.61	71	448.25	65.32	
Central China	23	144.00	20.98	11	73.00	10.63	13	97.00	14.13	47	314.00	45.74	
Total	152	985.00	143.52	66	412.90	60.16	106	661.10	96.33	324	2,059.00	300.01	

Note: "Number" means "Number of beneficiaries".

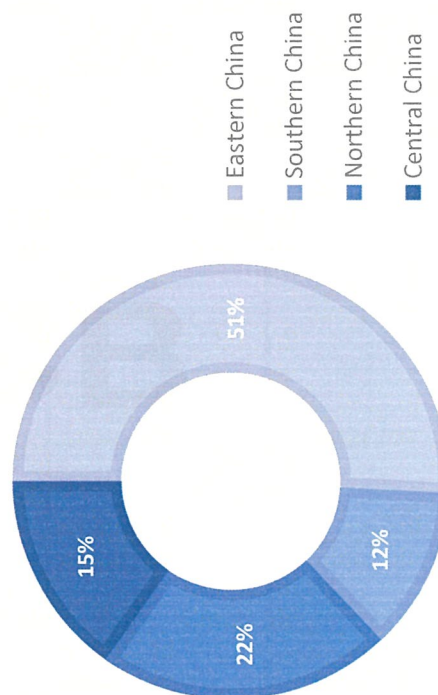


Figure 2: Regional distribution of the amount of loans to social projects

4. Projects Financed by the Branch and Environmental/Social Benefits

4.1 Overall Environmental and Social Benefits

The proceeds have been used to finance 1 green projects and 324 social projects. The green project reduced carbon dioxide emissions by 8,848.56 tons during the reporting period. Social projects include employment generation, affordable basic infrastructure and access to essential services category. The enterprises are small and micro enterprises that meet the Bank's inclusive finance policies to promote the development of small and medium enterprises and increase employment. The social project-related companies supported by bond investments improved the employment with 417 new jobs in 2018.

Affordable basic infrastructure includes: civil engineering construction, architectural decoration, decoration and other construction, special equipment manufacturing, professional technical services, electrical machinery and equipment manufacturing, electricity, heat, gas and water production and Supply industry, etc., with a total of 66 projects, loan balance of 60.16 million dollars.

Access to essential services includes: pharmaceutical manufacturing, medical supplies and equipment wholesale, Chinese and Western medicine wholesale and retail, specialist hospitals, cultural and vocational skills training, pre-school education, general primary education, education support services, etc., with a total of 106 projects, the loan balance of 96.33 million dollars.

Employment generation includes: agriculture, forestry, animal husbandry and fishery, agricultural and sideline food processing, agricultural and sideline products wholesale and retail, computer, communication and other electronic equipment manufacturing, software and information technology services, specialized equipment manufacturing, etc., with a total of 152 projects, the loan balance of 143.52 million dollars.

As a strategic fulcrum for new situation and changes in the market under the background of new era, the Bank focuses on solving financing difficulties of SMEs through multiple measures such as management system mechanism construction, product service innovation, system technology application, and service network construction, to provide more credit support for private enterprises, to strengthen resource allocation for emerging growth entities such as innovation and entrepreneurship, and to effectively improve financial services for SMEs, individual industrial and commercial households, and agricultural population etc.. By the end of 2018, the Bank had provided more than 7 trillion yuan of credit support to more than 2.25 million SMEs.

4.2 Examples of Environmental and Social Benefits

Project 1: Southwest China railway project

A railway project located in Southwest China. The line is 861.17km long, with an expected transportation capacity of 20.36 million passengers per year. The project is currently embracing a routine operation. The Branch's loan accounted for approximately 0.07% of the total project investment, which to reduced CO₂ by 8848.56 tons during the reporting period.

Project 2: Social projects in the East China

The East China region supports a total of 166 SME social projects with a loan balance of USD 152.58 million. Specifically, 76 are projects supporting employment generation, with a loan balance of USD 71.45 million; 23 affordable basic infrastructure projects with a loan balance of USD 18.46 million; 67 access to essential services projects with a loan balance of USD 62.67 million. The social project enterprises in East China supported by bonds increased their employment by 141 in 2018, and their operating income increased by 6.01% compared with the prior year.

5. Information Disclosure and Implementation

The Branch has defined the responsibility on the information disclosure and reporting in accordance with the Framework. During the Bond tenor, the Branch has engaged a qualified independent third party to conduct post-issuance assurance so as to ensure that all proceeds are to be invested in eligible projects, the management of proceeds is in accordance with related requirements, and the environmental/social benefits of those projects meet the expectations of investors.

During the Bond tenor, China Construction Bank commits to publish the description of the use of proceeds on the Bank's official website, which provide information on the allocation of the proceeds and the environmental/social benefits of the eligible projects. The description of the use of proceeds for the previous year shall be disclosed before April 30 of each year.

China Construction Bank Hong Kong Branch

22 April 2019

