

## Post Issuance Attestation Report of China Construction Bank Luxembourg Branch's 2018 Green Bond

### To China Construction Bank Luxembourg Branch

We have been engaged by China Construction Bank Luxembourg Branch (the "Branch") to examine the assertions in the accompanying the Description on China Construction Bank Luxembourg Branch's 2018 Green 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* published by the International Capital Market Association (ICMA), the *Climate Bonds Standards(V3)* published by the Climate Bonds Initiative.

### 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* 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* and the *Climate Bonds Standards (V3)*.

### 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 Luxembourg Branch’s 2018 Green 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 Luxembourg Branch’s 2018 Green Bond;
- Reviewing the Branch’s policies and procedures in relation to how Management evaluated and selected appropriate project(s) for the China Construction Bank Luxembourg Branch’s 2018 Green 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 Luxembourg Branch’s 2018 Green Bond; and
- Reviewing eligibility of all the nominated projects for inclusion in the China Construction Bank Luxembourg Branch’s 2018 Green Bond.

## Assurance Conclusion

Based on our limited assurance procedures performed, 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 Luxembourg Branch’s 2018 Green Bond are concerned, in all material respects, does not meet the requirement as set out in the *Green Bond Principles 2018* and the *Climate Bonds Standards (V3)*.

## 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 the 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 effective and performance of the Branch's management system and procedure.

Our assurance was limited to the China Construction Bank Luxembourg Branch's 2018 Green 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 Luxembourg Branch's 2018 Green 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 Luxembourg Branch's 2018 Green 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 Luxembourg Branch's 2018 Green Bond Description of the use of proceeds (Reporting period: from 17 September 2018 to 31 December 2018)**

In accordance with the *Green Bond Principles (2018 version)* published by the International Capital Market Association (ICMA) and the *Climate Bond Standards (3.0 version)* published by Climate Bond Initiative (CBI), China Construction Bank Luxembourg Branch (hereinafter referred to as "the Branch") issued its 2018 Green Bond (hereinafter referred to as "the Bond") with a total size of EUR 5 billion in 2018. The Branch discloses the use of proceeds of the Bond and the environmental benefits of green projects at the end of each year. The use of proceeds raised from our green 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 the Bond issuance**

The Branch issued its Green Bond in the amount of EUR 500 million on 17 September 2018. The Bond carried a floating interest rate and had a tenor of 3 years. All proceeds raised from the green bond financed green projects in accordance with the *Green Bond Principles (2018 version)* and the *Climate Bond Standards (3.0 version)*.

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

During the reporting period, the Branch has financed 3 green projects in total. As of 31 December 2018, the accumulated investment amount was EUR 500 million, and all proceeds were placed in the clean energy, clean transportation and pollution prevention category in line with the *Green Bond Principles 2018* and the *Climate Bonds Standard (Version 3.0)*.

#### **2. Management of the proceeds of the Bond**

##### **2.1 Developing the framework of the proceeds management**

In order to standardize the management of the proceeds, to protect the interests of investors, to ensure devoted for supporting the green sectors and to promote the healthy development of green credit business, China Construction Bank has developed the *China Construction Bank Green, Social and Sustainability Bond Framework*, so that the defining criteria of green projects and the project selection process have been standardized, the management procedure thus has been enhanced. In accordance with the Framework, the Branch has defined the responsibility on the use and management of proceeds. The proceeds are to be applied to new and/or existing eligible green projects. The Branch has established a green 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 Luxembourg Branch's 2018 Green 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 green 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 Projects in accordance with the *Green Bond Principles 2018, the Climate Bonds Standard (Version 3.0)* and *China Construction Bank Green, Social and Sustainability Bond Framework*.

Activities and lending to industry which involves 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 assets
- 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, the Branch financed 3 green projects, with total amount of EUR 500 million. All disbursed proceeds are placed in clean energy, clean transportation and pollution prevention category.



Table 1: Green projects(Category)

No.	Category	Region	Loan Amount (RMB million)	Loan Amount (EUR million)	Projects Amount
1	Clean transportation	Southern China	2,523.65	321.59	1
2	Clean energy	Eastern China	847.00	107.94	1
3	Pollution prevention	Central China	553.00	70.47	1
Total			3,923.65	500.00 <sup>1</sup>	3

#### 4. Green Projects Financed by the Branch and Environmental Benefits

##### 4.1 Overall Environmental Benefits

The proceeds have been used to finance 3 projects, the environmental benefits are as follows: during the reporting period, the power generation from clean energy amounts to 32.79178 million KWh, the carbon emissions reduction reaches at 23,824.03 tons; the carbon emissions reduction from Clean transportation reaches at 4,246.32 tons; the decrease of COD emissions is 296.24 tons and the decrease of NH<sub>3</sub>-N emissions is 56.01 tons.

##### 4.2 Examples of Environmental Benefits

###### Project 1: Southern China railway project

A railway project located in Southern China. The total length of the railway is 344km, and the capacity of this line is 11.8 million tons of freight per year and 16 million passengers per year in primary stage. The project is under operation. The Branch's loan accounted for approximately 9.33% of the total project investment, which reduced CO<sub>2</sub> by 4,246.32 tons during the reporting period.

###### Project 2: Eastern China wind farm project

A wind power project located in Eastern China. The capacity of this project is 300 MW with 75 units, each unit is 4MW. The project is under operation. The Branch's loan accounted for approximately 15.58% of the total project investment. The electricity generation is 32,791.78 MWh and the CO<sub>2</sub> emission reduction is 23,824.03 tons during the reporting period.

###### Project 3: Central China pollution prevention project

A sewage treatment renovation project located in Central China. The treatment capacity of the sewage treatment renovation project is 200,000 m<sup>3</sup>/day. The project is in trial operation. The Branch's loan accounted for approximately 34.87% of the total project investment, which reduced COD by 296.24 tons and NH<sub>3</sub>-N by 56.01 tons during the reporting period.

#### 5. Information Disclosure and Implementation

In accordance with the Framework, the Branch has defined the responsibility on the information disclosure and reporting. During the Bond tenor, the Branch has engaged a qualified independent

<sup>1</sup> The exchange rate of is based on the announcement of the Central bank's exchange rate of 7.8473 on 28 December 2018.

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 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 environment 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 Luxembourg Branch  
22 April 2019

