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Assurance Report on Pre-issuance of China Merchants Bank London Branch's 2023 Blue Bond

To the China Merchants Bank Co., Ltd.

We have been engaged by China Merchants Bank Co., Ltd. (the "Bank") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on the Bank's use of proceeds, process for project evaluation and selection, management of proceeds, and reporting of its London Branch's 2023 blue bond issuance (the "Subject Matter") as of 2 June 2023 in the accompanying the *Description on China Merchants Bank London Branch's 2023 Blue Bond* (the "Description").

Criteria applied by the Bank

In preparing the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting of its London Branch's 2023 blue bond issuance in the Description, the Bank applied the *Green Bond Principles 2021* published by International Capital Market Association. The green projects located in China will be aligned to the *Green Bond Endorsed Projects Catalogue (2021 Edition)* jointly published by the People's Bank of China, the National Development and Reform Commission and the China Securities Regulatory Commission (the "Criteria").

The Bank's Responsibility

The Bank's management is responsible for selecting the Criteria, and for presenting the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting of its London Branch's 2023 blue bond issuance in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

Assurance Practitioner's Responsibility

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised): Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board. The standard require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.



Our Independence and Quality Management

We have maintained our independence and confirm that we have met the requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management (“ISQM”) 1: *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and ISQM 2: *Engagement Quality Reviews*, and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of Procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management’s internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the use of proceeds, process for project evaluation and selection, management of proceeds, reporting of China Merchants Bank London Branch’s 2023 blue bond issuance and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with personnel to understand the business and reporting process;
- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the subject matter in the Description;
- Checked the eligibility of the nominated projects of blue bond issuance in accordance with the principles in the Criteria;
- Undertook analytical review procedures to support the reasonableness of the data;
- Identified and testing assumptions supporting calculations;
- Tested, on a sample basis, underlying source information to check the accuracy of the data.

We also performed such other procedures as we considered necessary in the circumstances.



Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the use of proceeds, process for project evaluation and selection, management of proceeds, and reporting of China Merchants Bank London Branch's 2023 blue bond issuance as of 2 June 2023 in the Description, in order for it to be in accordance with the Criteria.

Restricted Use

Our responsibility in performing our procedures and reporting thereon is to the Bank only and in accordance with terms of reference for this engagement as agreed with them. The report may not be suitable for another purpose. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance of any such third party may place on the China Merchants Bank London Branch's 2023 Blue Bond issuance is entirely at its own risk.

Ernst & Young Hua Ming LLP

2 June 2023
Beijing, China

Description on China Merchants Bank London Branch's 2023 Blue Bond

China Merchants Bank Co., Ltd. (the "Bank" or "CMB") has updated the *China Merchants Bank Green, Social and Sustainability Bond Framework* (the "Framework") in June 2023, which defines the use of proceeds, process for project evaluation and selection, management of proceeds, as well as reporting in accordance with the *Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021* published by International Capital Market Association.

The selection of Eligible Green Projects located in China will be aligned to the *Green Bond Endorsed Projects Catalogue (2021 Edition)* jointly published by the People's Bank of China, the National Development and Reform Commission and the China Securities Regulatory Commission.

Use of Proceeds

An amount equal to the net proceeds of this blue bond will be used exclusively for the financing and/or refinancing of sustainable water or marine development related Eligible Green Projects that meet the eligibility criteria as specified in the Framework.

Categories of Eligible Green Projects endorsed under this blue bond include:

- Renewable energy, including but not limited to offshore wind power projects, which promotes the development of marine renewable energy
- Sustainable water and wastewater management, including but not limited to wastewater treatment projects in coastal cities, which reduces the discharge of untreated wastewater to the seas and coastal areas

In any case, the following sectors will be excluded from Eligible Green Project categories ("Exclusions"):

- Sectors and activities which are prohibited by laws and regulations in China, such as child labor, gambling industry, adult entertainment and corporations which are in association with illegal activities
- Luxury sectors such as precious metals, artworks & antiques and golf course services
- Distillation, rectification and mixed alcoholic beverages
- Production and trade of tobacco and tobacco products
- Biomass which is suitable for food sources
- Mining and quarrying
- All fossil fuel-related assets and activities, such as clean coal projects and rail projects carrying fossil fuels
- Energy saving and emission reduction projects in heavy industries
- Nuclear energy and nuclear related assets

- Weapon and ammunition
- Army vehicles leasing and operation
- Businesses or activities which are related to the production, distribution and storage of hazardous chemicals and radioactive substances
- Carbon-intensive infrastructures including newly constructed roads, bridges and airports
- Commercial lumbering in primary tropical rainforest
- Unsustainable forest wood production and trade

Process for Project Evaluation and Selection

The Bank's Asset and Liability Management ("ALM") Department will solicit opinions from various business departments of the Bank, and conduct preliminary selection of projects according to the Eligibility Criteria of the Framework, by considering different factors including but not limited to sector, geography, asset type, and outstanding loan amount, etc. Such list of preliminary assets will each be tagged as "Eligible Green Projects" according to principles including prioritizing project loans and new projects, forming an "Eligible Green Project List". Relevant departments responsible for risk management will, from industry perspective, assist with providing metrics such as customer names, business types, and loan outstanding amounts of the projects on the Eligible Green Project List.

The ALM Department will prepare the relevant lists of document for the Eligible Green Project List, and initiate document review and site visits together with the Corporate Finance Department.

The ALM Department will annually review the Eligible Green Projects financed, and on a timely basis, make replacement and addition as necessary, to ensure the full amount of proceeds are allocated to Eligible Green Projects.

Management of Proceeds

During the outstanding period, the ALM Department of the CMB's head office, and the Treasury Department of the bond-issuing branch will dynamically manage the proceeds.

The ALM Department will set up project management ledgers for Eligible Green Projects, and is responsible for regularly and on a timely basis, summarizing the update of project information in the ledgers. If a material event occurred to an Eligible Green Project during the bond tenor, the relevant line department will decide on a remediation plan with the ALM Department; if there are no material changes, the relevant line department will provide updated information on Eligible Green Projects to the ALM Department on an annual basis. The ledger will include the following information:

- 1) Transaction information
 - Transaction date
 - Amount of (net) proceeds
 - Maturity date
 - Coupon
 - Bond type
 - Pricing date

- ISIN code.
- 2) Proceeds Allocation Information
- Project briefing of various Eligible Green Projects allocated
 - Amounts allocated to the various Eligible Green Projects
 - Amount of unallocated proceeds
 - Use of unallocated proceeds

Any proceeds which are temporarily unallocated to Eligible Green Projects will be held in cash by the ALM Department or invested in money market instruments with good market liquidity, and will be managed in accordance with CMB's liquidity management policy. CMB is committed that no temporarily unallocated proceeds will be invested in the industries and activities involved in Exclusions.

Reporting

The Bank will publish annual reporting regarding proceeds allocation of this blue bond, until full allocation of proceeds into Eligible Green Projects. The reporting will provide the following information:

- 1) Disclosure on allocation of proceeds
 - Allocation amount by Eligible Green Project category, and clearly indicating the SDG(s) of which such allocation supports
 - Amount of proceeds to be allocated, and its temporary treatment
 - Allocation amount by geographical distribution
 - Project examples, subject to confidentiality
- 2) Disclosure on the relevant environmental and/or social benefits in accordance with the Harmonized Framework for Impact Reporting issued by International Capital Market Association

The Bank will publish the Annual Report on China Merchants Bank's Sustainability Series Bonds, and disclose the above information through channels including the CMB official website www.cmbchina.com, in addition to annual reports and Sustainability Reports.

External Review


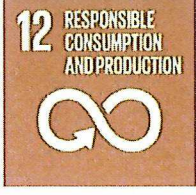
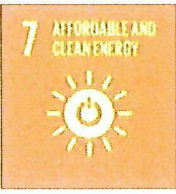
Pre-issuance, the Bank will engage an independent third party with qualification to verify the environmental and/or social aspects of the blue bond, and to conduct pre-issuance verification accordingly. Post-issuance, the Bank will engage an independent third party to conduct post-issuance verification. The relevant reports will be published on the CMB official website www.cmbchina.com.

Eligible Green Project List

The Bank nominated 7 Eligible Green Projects, with total value of RMB 3,077.75 million (approximately \$437.64 million based on the exchange rate of \$1 : RMB 7.0326). Nominated

projects list may evolve over time. The following is detailed information of the eligible green projects.

Eligible Green Project List

No.	Region	Adjacent Water	Project	Eligible Green Project Categories	Key Contribution to SDGs	Loan Amount (RMB million)	Loan Amount (USD million)
1	Southern China	South China Sea	Wastewater treatment project	Sustainable water and wastewater management	 	305.53	43.45
2	Northern China	Bohai Sea	Wastewater treatment project			354.77	50.45
3	Eastern China	East China Sea	Wastewater treatment project			408.41	58.07
4	Eastern China	Yellow Sea	Offshore wind power project	Renewable energy		732.81	104.20
5	Eastern China	Yellow Sea	Offshore wind power project			446.66	63.51
6	Eastern China	Yellow Sea	Offshore wind power project			417.55	59.37
7	Southern China	South China Sea	Offshore wind power project			412.02	58.59
Total						3,077.75	437.64

Region	Adjacent Water	Loan Amount (RMB million)	Loan Amount (USD million)	Number of Projects	Loan Proportion
Northern China	Bohai Sea	354.77	50.45	1	11.53%
Eastern China	East China Sea	408.41	58.07	1	13.27%
	Yellow Sea	1,597.02	227.08	3	51.89%
Southern China	South China Sea	717.55	102.04	2	23.31%

Region	Adjacent Water	Loan Amount (RMB million)	Loan Amount (USD million)	Number of Projects	Loan Proportion
Total		3,077.75	437.64	7	100.00%

The expected environmental benefits of the projects are as follows:

The total treatment capacity of the wastewater treatment projects is 153,300,000 t/a, which will result in COD reduction of about 48,983.00 t/a, BOD₅ reduction of about 16,819.20 t/a, SS reduction of about 51,976.00 t/a, NH₃-N reduction of about 4,916.55 t/a, TP reduction of about 720.51 t/a and TN reduction of about 4,927.50 t/a. The total capacity of the offshore wind power projects is 1,350 MW, and the total electricity generated to the grid is 3,742,238 MWh annually, which will result in standard coal reduction of 1,128,284.76 t/a and CO₂ emission reduction of 2,537,569.38 t/a.

The following sets forth certain information of sample eligible projects:

- An offshore wind power project located in South China Sea. The project, with a total capacity of 500 MW, consists of 91 wind turbines with per capacity of 5.5 MW. The electricity generation of the project to the grid is 1,389,568 MWh annually, which will result in standard coal reduction of about 418,954.75 t/a and CO₂ emission reduction of about 912,286.13 t/a. The Bank's loan to this project accounted for approximately 4.89% of the total project investment, which is expected to reduce standard coal consumption of 20,496.68 t/a, CO₂ emission about 44,632.11 t/a.
- A marine related wastewater treatment project located in coastal city in Eastern China. The project built a wastewater treatment plant with a total treatment capacity of 200,000 t/day, which will result in COD reduction of about 23,360.00 t/a, BOD₅ reduction of about 8,322.00 t/a, SS reduction of about 17,885.00 t/a, NH₃-N reduction of about 2,445.50 t/a, TP reduction of about 343.10 t/a and TN reduction of about 2,555.00 t/a. The Bank's loan to this project accounted for approximately 44.50% of the total project investment, which is expected to reduce COD about 10,395.56 t/a, BOD₅ about 3,703.42 t/a, SS about 7,959.10 t/a, NH₃-N about 1,088.29 t/a, TP about 152.68 t/a and TN about 1,137.01 t/a.

