

盛京銀行
SHENGJING BANK

Shengjing Bank Co., Ltd.*

(A joint stock company incorporated in the
People's Republic of China with limited liability)

Stock Code: 02066

盛京

盛京銀行



2017

Environmental, Social and Governance Report

威海



CONTENTS

| | |
|--|----|
| About This Report | 2 |
| A Message from the Chairman of the Board of Directors | 4 |
| 1. About Us | 5 |
| 1.1 Company Profile | 5 |
| 1.2 Honours and Awards | 7 |
| 1.3 KPIs | 9 |
| 2. Social Responsibility Concepts and Management | 10 |
| 2.1 Social Responsibility Concepts | 10 |
| 2.2 Social Responsibility Management and Practices | 10 |
| 2.3 Social Responsibility Communication | 11 |
| 2.4 Analysis of Material Issues | 13 |
| 3. Governance Enhancement and Risk Prevention | 14 |
| 3.1 Improve Corporate Governance | 14 |
| 3.2 Enhance Risk Management | 16 |
| 3.3 Sound and Compliance-Based Operation | 18 |
| 4. Serve the Economy to Improve People's Livelihood | 23 |
| 4.1 Empower the Revitalisation of the Economy of Northeast China | 23 |
| 4.2 Support the Integration of the Beijing-Tianjin-Hebei Region | 24 |
| 4.3 Support Micro Businesses | 24 |
| 4.4 Enhance Agriculture-Related Development | 25 |
| 4.5 Promote the Development of Livelihood-Related Financial Services | 26 |
| 5. Green Development and Environmental Protection | 28 |
| 5.1 Implementing Green Credit | 28 |
| 5.2 Promoting Green Services | 29 |
| 5.3 Advocating Green Operation | 32 |
| 6. Reciprocating the Society and Achieving a Harmonious and Win-win Result | 35 |
| 6.1 Improve Service Quality | 35 |
| 6.2 Safeguarding Customers' Rights and Interests | 39 |
| 6.3 Contribution to Staff's Development | 44 |
| 6.4 Commitment to Social Benefits | 55 |
| Prospect for 2018 | 58 |
| Independent Limited Assurance Report | 60 |
| ESG Indicator Index | 62 |
| Feedback from readers | 65 |

* Shengjing Bank Co., Ltd. is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong

ABOUT THIS REPORT



This report describes the performance and achievements of Shengjing Bank Co., Ltd. (hereinafter referred to as “Shengjing Bank”, “the Bank”, “our Bank” and “we”) in fulfilling its social responsibility in economic, social and environmental areas in 2017.

Reporting period

The reporting period is from 1 January 2017 to 31 December 2017

Reporting cycle

This report is prepared annually.

Reporting scope

Unless otherwise stated, this report focuses on Shengjing Bank as its main reporting entity, covering its subsidiaries, branches, sub-branches and special institutions.

Basis of preparation

This report has been prepared in accordance the disclosure recommendations of The Stock Exchange of Hong Kong Limited’s Guidelines for Environmental, Social and Governance Reporting with reference to:

- The Sustainability Reporting Guidelines of the Global Reporting Initiative (G4.0)
- Opinions of the General Office of the China Banking Regulatory Commission on Strengthening the Social Responsibility of Banking Financial Institutions
- Guidelines of the Shanghai Stock Exchange on Environmental Information Disclosure of Listed Companies
- Guidelines of the China Banking Association on the Corporate Social Responsibility of Banking Institutions of China

Collection of information

Financial information in this report is partly based on 2017 financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and audited by KPMG. Other information is sourced from statistical data of the Bank’s internal systems and branches. Cases cited are real cases in the Bank’s operations. Unless otherwise stated, renminbi is the functional currency throughout the report.

Assurance approach of the report

The Board of Directors of Shengjing Bank Co., Ltd. undertakes that the information in this report contains no false record, misleading statement or material omission, and assume the liabilities to the authenticity, accuracy and completeness of the information in this report.

KPMG Huazhen LLP was appointed to perform independent limited assurance on the report in accordance with the International Standards on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and issued an assurance report.

ABOUT THIS REPORT (Continued)

Issuance form

This report is issued in the form of printed version and published on the websites at <http://www.shengjingbank.com.cn> and <http://www.hkexnews.hk>.

This report is available in Chinese and English. If there is any conflict between the Chinese version and its English translation, the Chinese version will prevail.

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A MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS



2017 is the first year for China to act on the spirit of the 19th National Congress of the Communist Party of China and is a crucial year for promoting strategic transformation. Shengjing Bank adopted a pragmatic approach and stood up to the challenges. In line with the development philosophy of “innovation, coordination, green, openness, and sharing”, Shengjing Bank fulfils its social responsibilities by aiming to grow into an integrated, diversified and high-quality joint-stock commercial bank with a leading position among peers.

Increasing returns on equity. As of 31 December 2017, the Bank's total assets reached RMB1.030617 trillion, a year-on-year increase of 13.8%; it realised a net profit of RMB7.574 billion, a year-on-year increase of 10.1%. Its basic earnings per share was RMB1.31 with an average return on equity of 15.36%. In terms of main business indicators, it continued to outperform other city commercial banks, and shareholders' investment income steadily increased.

Commitment to the transformation of business structure. The Bank focused on aligning with regional economic development and continued to increase the financial support for key industries and key industry players that have a leading role in economic and social development and industrial structural upgrading, and formulated a strategy for developing “one main entity and two centres” and specialised institutions, further accelerating the pace of moving towards “asset-light, capital-light” business models and “big retail banking”.

Vigorous support for the real economy. In line with the scientific concept of “lucid waters and lush mountains are invaluable assets”, the Bank actively implemented a green credit policy to step up the support for key energy conservation, emission reduction and pollution control projects and for transforming and upgrading enterprises' energy saving and environmental protection technologies to promote green, circular, low-carbon economic development.

A responsible bank. The Bank attracts talents by great career prospects and attaches importance to bringing people together by corporate culture. We provide a platform for our people to grow and realise their value. All the employees were mobilised in the campaign to identify fundamental problems, improve the quality of credit assets, comprehensively improve risk control and forestall financial risks.

Public welfare and charity. The Bank lays stress on “giving back” in corporate culture, and actively participates in poverty alleviation and charitable activities. Over the years, the Bank has invested more than RMB10 million in public charity and poverty relief, and has won honorary titles such as “Advanced Unit for Helping the Disabled in Shenyang”, “Unit of Outstanding Contribution for Donations to Charities in Shenyang” and “Model Unit for Poverty Alleviation and Development in Shenyang”.

In 2018, Shengjing Bank will take Xi Jinping's socialist ideology with Chinese characteristics as a guide to actively adapt to new conditions and seize new opportunities. By aligning with our strategic positioning and development objectives, we will act on the new development concept, serve business entities, forestall risks, and deepen reforms. We will empower Shengjing Bank to achieve all-round, high-quality and sustainable development, reward shareholders and give back to society by achieving outstanding business performance and providing high quality and efficient financial services and make yet greater contributions to the rejuvenation of the economy of Northeast China.

Zhang Qiyang
Chairman of the Board of Directors
Shengjing Bank

1.1 COMPANY PROFILE

Shengjing Bank is headquartered in Shenyang, Liaoning Province. In February 2007, Shenyang Commercial Bank, its predecessor, was approved by the China Banking Regulatory Commission (CBRC) to change its name to Shengjing Bank and carry out cross-regional business operations. Shengjing Bank is financially strong bank in Northeast China and was listed on the main board of the Hong Kong Stock Exchange on 29 December 2014 (Stock Code: 02066).

Currently, Shengjing Bank has established 18 branches in Beijing, Shanghai, Tianjin, Changchun, Shenyang, Dalian and other cities. Its business network covers the Beijing-Tianjin-Hebei region, Yangtze River Delta and Northeast China. In addition, three branch-level specialised organizations including the Capital Operation Centre, the Financial Service Centre for Small Businesses, and the Credit Card Centre were established in Shenyang. The total number of business organisations has reached 201. Shengjing Bank initiated and sponsored the founding of Shengjing Bank Consumer Finance Co., Ltd., the first company dedicated to consumer finance in Northeast China, as well as six village banks in Baoshan of Shanghai, Jiangbei of Ningbo, and Shenbei, Xinmin, Liaozhong and Faku of Shenyang. This has helped the Bank form a strategic operating structure characterised by a focus on its base operations in Shenyang and an expansion beyond Liaoning Province and Northeast China to the whole country, with enhanced market competitiveness and regional influence.

Shengjing Bank carries out business activities in compliance with laws and regulations and pursues sound business growth. It has engaged in continuous reforms and innovations to achieve balanced growth in terms of efficiency, quality and business volume. As of 31 December 2017, its total assets amounted to RMB1.030617 trillion with a net profit of RMB7.574 billion. It has been the top taxpayer among financial institutions in Liaoning Province for many years, and is among the top three taxpayers in Shenyang. With its good business performance and excellent financial services, Shengjing Bank has won praises from all sectors of society. It ranked 190th in Top 1000 Global Banks in 2017 rated by the Banker, a British magazine, and 24th among Chinese banks included in the list. It ranked 24th in 2017 Top 100 Chinese Banks rated by the China Banking Association. It was listed among Top 500 Chinese Credit Enterprises in 2017 by the China Enterprise Confederation and China Enterprise Directors Association. It was awarded the Most Competitive Small and Medium-Sized Bank of the Year in 2017 by the Financial Times and the Best City Commercial Bank for its comprehensive WMP capabilities by the China Banking Association. It was awarded the Core Dealer in the Interbank RMB Market for two consecutive years in 2016 and 2017 by the National Interbank Funding Centre, and was included in the Top 50 Dealers in the Interbank Foreign Exchange Market by the China Foreign Exchange Trade System. It was awarded the Best Listed Company for three consecutive years in 2015, 2016 and 2017 by China Financial Market.

Shengjing Bank has always positioned itself as a bank dedicated to “serving the local economy, serving small and micro businesses, and serving urban and rural residents”, actively fulfilling its social responsibilities as a financial institution. It capitalises on its institutional and

1. ABOUT US (Continued)



decision-making advantages to actively involve itself in the “Belt and Road” initiative and the coordinated development for the “Beijing-Tianjin-Hebei” region, the development of the Yangtze River Economic Belt, the rejuvenation of the old industrial base in northeast China, the reform and innovation of the Liaoning Free Trade Zone and other major national strategies such as the “Made in China 2025”. It strives to improve its abilities and efficiency for serving the real economy. As a regional bank that has gradually developed and expanded with the rejuvenation of the old industrial base in northeast China, Shengjing Bank has given full play to the leading role of the financial service sector in providing strategic support for regional economic growth. It continuously innovates its service concepts and methods, optimises the allocation of financial resources, and provides strong support for infrastructure, pillar industries, key industries, and public welfare projects. It has provided strong credit support and financial security to facilitate strategic economic and structural adjustments and transformation in the old industrial base in Northeast China. It has made marked contributions to supporting the coordinated and reciprocal interaction between financial development and economic growth, as well as the improvement of people’s livelihood.

Shengjing Bank actively implements the concept of inclusive finance, provides convenient, value-added, and safe financial services, and continues to increase the level of inclusive financial services, paving the way for it to live up to its unique market position and branding goal of becoming a bank that boasts the closest ties with, and provides the biggest benefits, for the people. It has established a “Financial Service Centre for Small Businesses”, improved the professional service system, opened a green channel, streamlined business processes, made the offer to reduce service charges, launched “Kuai Kuai Dai” for small and micro businesses which covers operation loans, loans for shops, start-up loans, purchase loans, mortgage loans and tax loans, as well as special products and services such as revolving loans, renewed loans. They can meet the financing needs of small and micro businesses of various types at different stages of development. Shengjing Bank continues to optimise, innovate and develop financial products and service channels that are close to the needs of urban residents, vigorously increases its presence in communities, and has established a multi-channel service system that covers brick-and-mortar outlets, online banking, mobile banking, WeChat banking, TV banking and telephone banking. It has strengthened cooperation with Internet companies, improved its capabilities for providing online and offline business collaboration and scenario-based financial services to enhance customer experience. It launched a series of smart savings deposit products including Cai Fu Tong and Chuang Li, and a series of “Red Rose” wealth management products including Zhi Ying, Wen Ying and Sheng Ying to meet the needs of customers for preserving the value of and adding value to their wealth and assets. Shengjing Bank actively acts as agent for agent payment services and provides payment services for medical, unemployment insurances, minimum livelihood security and other social security funds. Its agent payment services are closely related to people’s daily lives, covering water, electricity, natural gas, heating, telecommunications, cable television, education, traffic fines, housing fund, housing maintenance funds etc. It has become a bank that provides the widest range of agent payment services and the richest selection of financial products in Shenyang. Its image as a warm and reliable bank is increasingly taking root in people’s mind.

1. ABOUT US (Continued)

Looking into the future, Shengjing Bank will take the spirit of the “19th National Congress of the Party” as its guide, actively adapt to the new normal and apply the new development concept. It will seize the opportunities presented by the deepening of reform and opening up in the financial sector and by the rejuvenation of the old industrial base in Northeast China, and actively promote strategy transitions and reforms in an endeavour to build a strategic business network with “one main entity and two centres”. It will accelerate the pace of transitioning to a business model that is “light-asset and light-capital” and to “big retail banking”. It aims to build itself into an integrated, diversified and high-quality joint-stock commercial bank with a leading position among peers. It will continuously improve the quality and efficiency of services provided for the real economy to make positive contributions to promoting socialist modernization with Chinese characteristics in a new era!

1.2 HONOURS AND AWARDS

| Honours and Awards | Awarders |
|--|--|
| Ranked 190th in Top 1000 Global Banks in 2017 and 24th among Chinese banks included in the list | The Banker |
| Included in the lists Top 500 Chinese Enterprises in 2017 and Top 500 Chinese Service Sector Firms in 2017 | China Enterprise Confederation China Enterprise Directors Association |
| Ranked 24th in Top 100 Chinese Banks in 2017 | China Banking Association |
| The Best City Commercial Bank for Comprehensive Wealth Management Capabilities | China Banking Association |
| Best Listed Company and Best Stock in 2017 | China Financial Market, a financial magazine in Hong Kong |
| The Most Competitive Small and Medium-Sized Bank in 2017 | Financial News |
| Socially Responsible Bank in 2017 | China Business Journal |
| Included in the Inclusive Finance List under the List of Pioneers among Chinese Small and Medium-Sized Banks in 2017 | National Business Daily |
| 2017 Trusted Bank Award, 2017 Outstanding Small and Medium Bank Award | JRJ.com |

1. ABOUT US (Continued)



| Honours and Awards | Awarders |
|--|---|
| Best Fintech Practice in 2017 – Small and Medium-Sized Banks in Risk Management Innovation – Award for Outstanding Innovation in Financial Technology and Financial Services | FCMAG |
| Core Dealer in the Interbank RMB Market in 2017, Top 300 Dealers in the Interbank RMB Market in 2017 | National Interbank Funding Centre |
| Top 50 Dealers in the Interbank Foreign Exchange Market and Best Foreign Currency Pair Membership Award in 2017 | China Foreign Exchange Trade System |
| “Best Progress Underwriter”, “Underwriter for Outstanding Innovation”, “Outstanding Underwriter in Interbank Market”, “Outstanding Underwriter for Green Bonds” in 2017 | China Development Bank |
| “Outstanding Underwriter” in 2017 | Agricultural Development Bank of China China Exim Bank |
| Outstanding Member in 2017 – Excellent Proprietary Institution – City Commercial Bank | China Central Depository & Clearing Co., Ltd. |
| Most Popular Wealth Management Product Award, Satisfactory Bank of Users Award, Achievement Award for Supporting the Real Economy in 2017 | Liao Shen Evening News |
| Satisfactory Enterprise of Users in Liaoning Province | Liaoning Association of Quality |
| Outstanding Unit in Banking Sector Financial Knowledge Popularisation Campaign in Liaoning in 2017 | Liaoning Banking Regulatory Bureau |
| Unit for Outstanding Contributions to the Development of Employee Culture in Shenyang | Shenyang Federation of Workers |
| 2017 China’s Best Employer “Top 10 Best Employers in Shenyang” | Peking University Social Research Centre Zhaopin.com |

1. ABOUT US (Continued)

1.3 KPIS

| Type of KPI | Name of KPI | Unit | 2017 | 2016 |
|--------------------|--|-----------------|-----------|-----------|
| Economic KPIs | Operating income | RMB100 million | 132.50 | 161.14 |
| | Net profit | RMB100 million | 75.74 | 68.78 |
| | Basic earnings per share | RMB | 1.31 | 1.18 |
| | Total assets | RMB100 million | 10,306.17 | 9,054.83 |
| | Total deposits | RMB100 million | 4,735.81 | 4,152.46 |
| | Total loans | RMB100 million | 2,795.13 | 2,354.17 |
| | Return on average assets | % | 0.78 | 0.86 |
| | Return on equity | % | 15.36 | 15.62 |
| | Non-performing loan ratio | % | 1.49 | 1.74 |
| | Allowance to non-performing loan | % | 186.02 | 159.17 |
| | Capital adequacy ratio | % | 12.85 | 11.99 |
| Social KPIs | Total taxes paid | RMB100 million | 34.12 | 39.80 |
| | Total charitable fund | RMB10,000 | 238.07 | 325.50 |
| | Balance of loans to small and micro businesses | RMB100 million | 1,136.74 | 932.00 |
| | Social contribution per share* | RMB | 7.47 | 6.14 |
| | Total number of employees | Person | 5,239 | 4,824 |
| | Proportion of female employees | % | 56.82 | 55.89 |
| | Number of trainings per person per year | Number of times | 64 | 59 |
| Environmental KPIs | Balance of green credit | RMB100 million | 75.25 | 67.60 |
| | E-banking replacement ratio | % | 61 | 60 |
| | Head office power consumption | 10,000 kWhs | 274.6 | 296 |
| | Head office water consumption | Ton | 44,966 | 42,920 |
| | Head office gas consumption | Cubic meter | 18,451 | 19,596.50 |
| | Head office paper consumption | Million sheets | 2.23 | N/A |
| | Head office oil consumption** | Liter | 177,738 | N/A |

* Social contribution per share = (annual tax paid + staff salaries paid + loan interest paid to creditors + total outbound donations – other social cost arising from environmental pollution) ÷ total share capital + basic earnings per share.

** Including oil consumption by armoured trucks hired by the Bank's outlets in Shenyang.

2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT

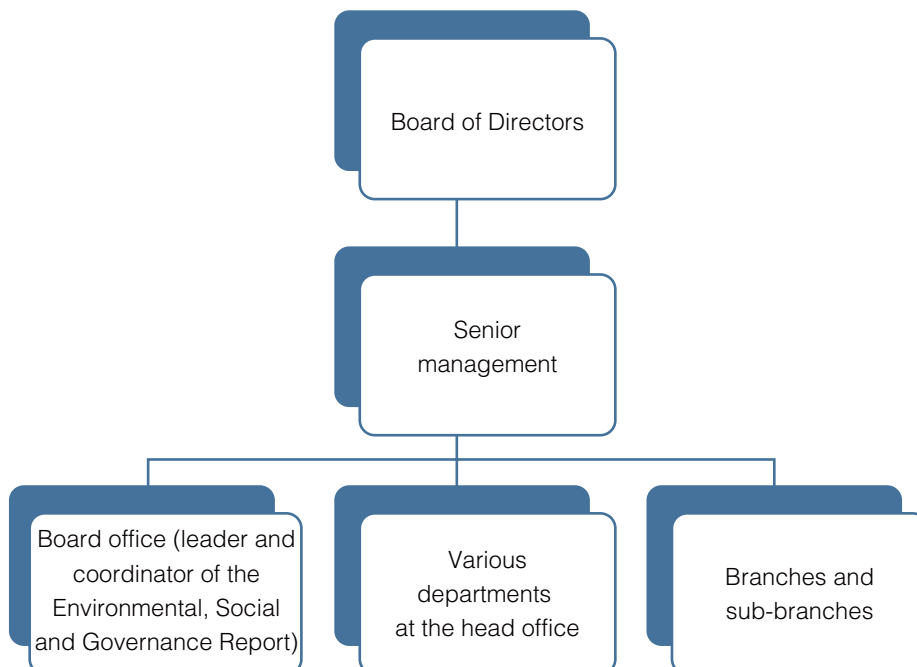


2.1 SOCIAL RESPONSIBILITY CONCEPTS

- **Goal:** Grow into an integrated, diversified and high-quality joint-stock commercial bank with a leading position among peers.
- **Positioning:** Serve the local economy, serve small and micro businesses and serve urban and rural residents.
- **Service concept:** Establish the closest ties with the people and provides the biggest benefits for the people.
- **Core values:** Integrity, Affinity, Entrepreneurship, Professionalism and Dedication

2.2 SOCIAL RESPONSIBILITY MANAGEMENT AND PRACTICES

Social responsibility work is guided by the Board of Directors, supervised by senior management, led and coordinated by the Board office and executed by departments at the head office and branches. Inter-departmental collaboration and coordination is exercised to carry out the work. In addition to achieving sustained, stable and rapid development, the Bank actively fulfils its social responsibility and includes the social responsibility concept in every aspect of its business operation.



Social Responsibility Management Structure

2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)

2.3 SOCIAL RESPONSIBILITY COMMUNICATION

The Bank has put in place various means of communication to enhance its communication and exchanges with stakeholders, and adopted a series of measures to meet stakeholders' expectations and requirements.

| Stakeholders | Expectations and requirements | Means of communication | Responses and measures |
|--------------|---|--|---|
| Governments | <ul style="list-style-type: none"> • Deliver state policies • Serve real economy • Expand financial inclusion | <ul style="list-style-type: none"> • Policy documentation and guidelines • Specific topic reports • Information distribution • Work meetings | <ul style="list-style-type: none"> • Support the revitalisation of the economy of Northeast China • Serve small and micro businesses and agriculture-related businesses • Establish a consumer finance company |
| Regulators | <ul style="list-style-type: none"> • Comply with regulatory requirements • Prevent financial risk • Promote industry development | <ul style="list-style-type: none"> • Regulatory policies • Surveys and on-site visits • Data reporting | <ul style="list-style-type: none"> • Strengthen internal control • Improve the risk management system • Strengthen daily inspections |
| Shareholders | <ul style="list-style-type: none"> • Ensure sustained business operation • Increase corporate value • Improve returns on investment | <ul style="list-style-type: none"> • General shareholders' meetings • Announcements • Performance roadshows | <ul style="list-style-type: none"> • Improve the corporate governance structure • Execute development strategies • Improve profitability • Disclose information in a timely manner |
| Clients | <ul style="list-style-type: none"> • Simplify business processes • Improve service quality • Provide a richer selection of financial products • Protect consumers' rights and interests | <ul style="list-style-type: none"> • Marketing activities • Customer hotline • Surveys | <ul style="list-style-type: none"> • Optimise business procedures • Strengthen product innovation • Improve service quality • Popularise financial knowledge |

2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)

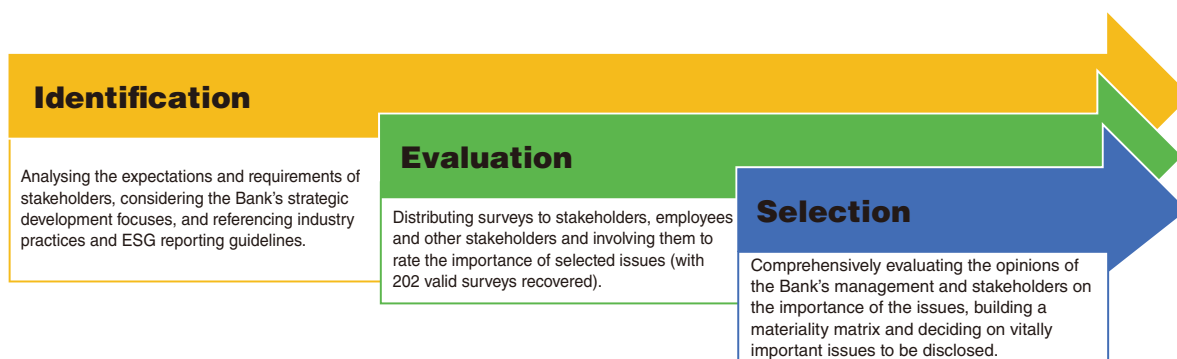


| Stakeholders | Expectations and requirements | Means of communication | Responses and measures |
|--------------|--|---|--|
| Employees | <ul style="list-style-type: none"> • Improve employee benefits • Protect the rights and interests of employees • Provide professional training and career development | <ul style="list-style-type: none"> • Trade union • General meetings of employee representatives • Visits and interviews • Professional training | <ul style="list-style-type: none"> • Improve the compensation and welfare system • Enhance employee training • Offer care to employees |
| Suppliers | <ul style="list-style-type: none"> • Fair procurement • Honesty and integrity • Cooperation for win-win outcomes | <ul style="list-style-type: none"> • Negotiations • Cooperation agreements • Tendering and bidding | <ul style="list-style-type: none"> • Build a procurement management system • Enhance business cooperation |
| Partners | <ul style="list-style-type: none"> • Mutually beneficial cooperation • Communication and exchanges of ideas with industry peers | <ul style="list-style-type: none"> • Seminars • Project cooperation | <ul style="list-style-type: none"> • Surveys and on-site visits • Enhanced exchanges with industry peers |
| Communities | <ul style="list-style-type: none"> • Organise community activities • Help vulnerable groups | <ul style="list-style-type: none"> • Visits and interviews • Community service activities | <ul style="list-style-type: none"> • Financial aid to students • Organise community activities • Organise volunteer activities supported by employees |
| Environment | <ul style="list-style-type: none"> • Support low-carbon economy • Sustainable development | <ul style="list-style-type: none"> • Energy conservation and emission reduction • Green finance | <ul style="list-style-type: none"> • Green credit • Green office • E-banking |

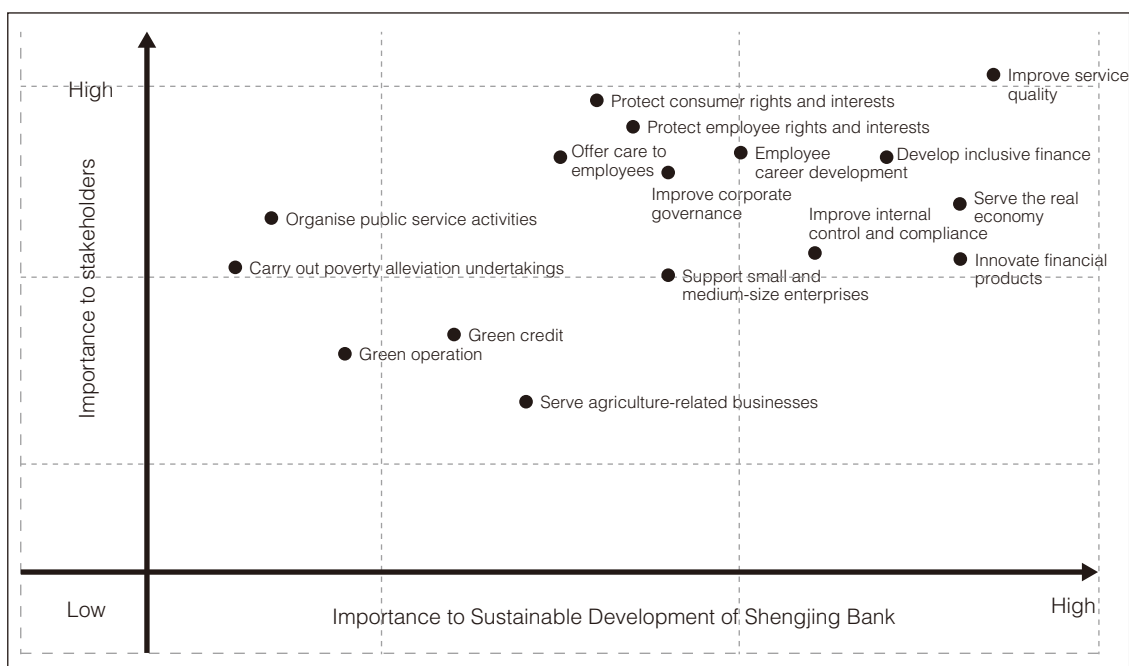
2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT (Continued)

2.4 ANALYSIS OF MATERIAL ISSUES

The Bank selects social responsibility issues based on the expectations of stakeholders and its strategic focuses. It performs a materiality test on such issues with reference to the opinions of the Bank's management and stakeholders before determining material issues.



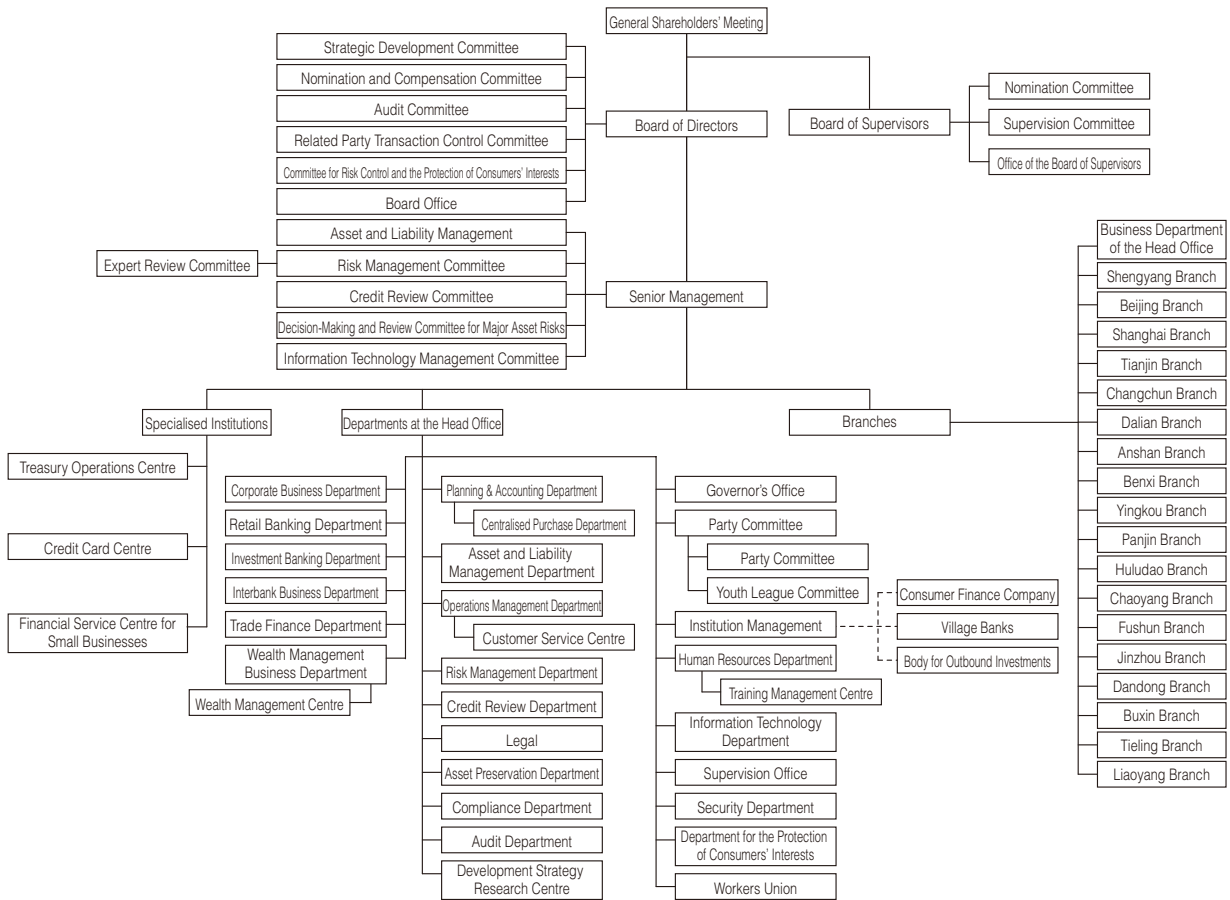
Materiality Matrix



3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION



3.1 IMPROVE CORPORATE GOVERNANCE



Shengjing Bank's Organisational Structure

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

The Bank strengthened legal person governance and continued to improve a corporate governance structure with the General Meeting of Shareholders as the supreme authority, the Board of Directors as the decision-making organ, the Board of Supervisors as the supervisory organ and senior management as the executive body. It formulated rules of order, decision-making procedures and work regulations for the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, senior management and their subsidiary authorities, and formed a sound governance structure with a clear assignment of authority and responsibility and effective checks and balances. During the reporting period, the Bank continued to maintain a diversified shareholding structure. The largest shareholder of domestic shares was Evergrande Group (Nanchang) Co., Ltd., a subsidiary of China Evergrande Group. A diversified and sound equity structure can enable the Bank to operate in a market-oriented manner.

During the reporting period, the Bank held one General Meeting of Shareholders which endorsed nine resolutions and heard two proceedings. The meetings were held in accordance with relevant legal procedures.

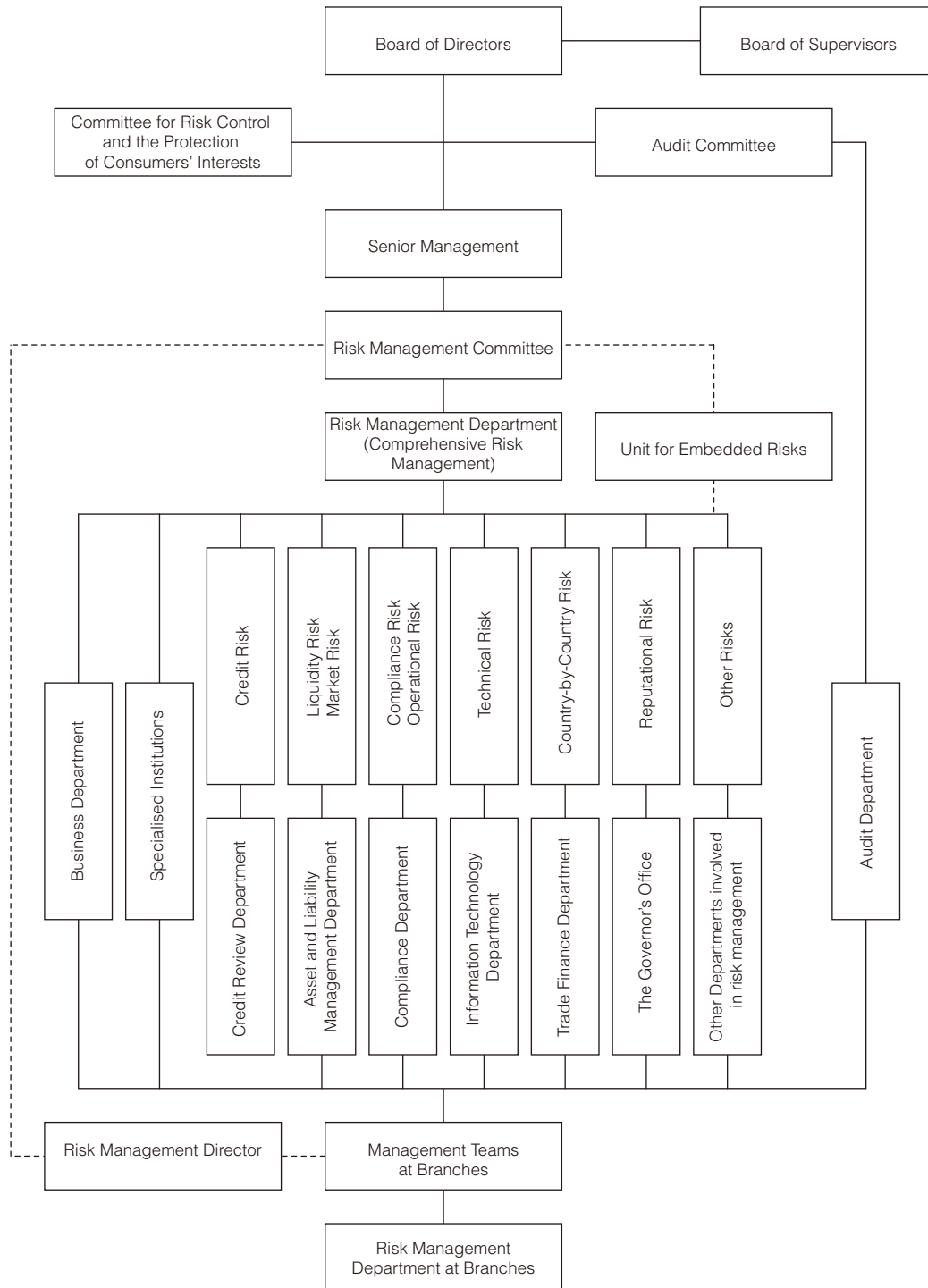
As of 31 December 2017, the Bank held eight board meetings (including written resolutions), which approved 38 proposals and heard three proceedings. As of the disclosure date of this report, the Board of Directors of the Bank consisted of 15 directors, among whom four were executive directors, six were non-executive directors and five were independent non-executive directors. Independent non-executive directors accounted for no less than one third of total directors in the Board. The Board of Directors has five special committees, i.e. the Strategic Development Committee, the Risk Control Committee, the Audit Committee, the Related Party Transaction Control Committee and the Nomination and Remuneration Committee. (Note: the election of the relevant directors is subject to approval by the China Banking Regulatory Commission)

As of 31 December 2017, the board of supervisors held 7 meetings in total and reviewed and approved 32 proposals. As of the disclosure date of this report, the Board of Supervisors had 9 members, including 3 supervisors from employees, 3 supervisors from shareholders and 3 external supervisors.

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



3.2 ENHANCE RISK MANAGEMENT



Organisational Structure of the Risk Management System

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

The Bank continued to improve its corporate governance and risk management framework, constantly optimized the decision-making, supervision and implementation mechanisms for risk management, and gradually formed a sound governance structure with clearly defined powers and responsibilities and effective checks and balances. In the course of day-to-day operations and management, business departments, the risk management department and the internal audit department were involved in risk management before, during and after the event respectively, forming a risk management system with clearly defined responsibilities, clear division of labour, and mutual cooperation. In practice, remarkable results have been achieved.

In the face of complicated economic conditions, the Bank fully understands the urgency of risk management, attaches great importance to proactive and forward-looking risk management, and carefully analyses and assesses changes in the macroeconomic situation and policies. Under a prudent and robust risk prevention and control framework, it adheres to the rigid principle of effective asset mortgages, focuses on reasonable matching and dynamic balance of risks and gains, makes overall plans to continuously deepen the analysis and strategic research on clients, industries and regions. It proactively adjusts risk management and control strategies, and implements differentiated risk management measures. The head office issues guidance on risk management every six months to guide bank-wide management practices. Through the risk management exchange mechanism between the head office and branches, the Bank interprets and communicates the risk management policy of the head office to improve feedback from frontline branches, implements key client and key project risk monitoring and assessment, releases early warning signals on a timely basis and implements additional effective risk mitigation measures where appropriate to enhance the Bank's capabilities for withstanding risks.

Risk management measures:

- Enhancing prospective studies on risk control strategies and tactics

The Bank conducted forward-looking research on and judgement of macroeconomic situations and market changes, initiated proactive risk management in accordance with regulatory focuses and directions and adjusted its risk control strategies in a dynamic manner. It formulated and issued risk management guidelines every six months to guide bank-wide risk management practices. It built an internal risk management platform for exchanges of ideas to communicate risk management experience and shared information by other banks to improve risk management capabilities of the whole bank. It issued risk warnings and performed evaluations on a quarterly basis in respect of key customers and projects, sent out alarms against risk signals in a timely manner and put in place timely and additional risk mitigation measures to prevent ultimate risks.

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



- Strengthening differentiated risk control in key areas and industries
 - Risk management for new businesses
 - Enhancing support for customers in public utilities
 - Deepening cooperation with strategic customers in a wider range of areas
 - Implementing differentiated risk management for real estate and industries with excess capacity
 - Risk management for existing businesses
 - Stressing the need to focus on changes in three areas in interbank financing: (1) financing limits; (2) guarantee conditions; and (3) pricing
 - Stressing the need to monitor changes in the financial position in three areas: (1) contract performance and principal and interest repayment situations; (2) cash flows; and (3) key financial indicators
 - Stressing the need to keep track of changes in non-financial factors in three areas: (1) shareholders; (2) operating strategies; and (3) industry policies
- Enhancing collateral risk management

The Bank abides by a five-fold principle that opts for a collateral that is easy to be evaluated, controlled, managed, split and liquidated. It introduced third party appraisers to determine the value of collaterals in a fair and prudent manner and performed stress tests to prevent the risk of asset depreciation.

3.3 SOUND AND COMPLIANCE-BASED OPERATION

The Bank's internal control management framework consists of three parts: the internal control decision-making level, the executive level, and the supervisory evaluation level. It has established an internal control management structure with reasonable corporate governance and division of labour and clearly defined responsibilities.

The Board of Directors of the Bank is responsible for establishing and implementing an effective internal control system to ensure that the Bank operates prudently within the framework of laws and policies, defining acceptable risk levels, ensuring that senior management adopts necessary risk control measures, and supervising senior management monitoring and evaluating the adequacy of the internal control system. The senior management of the Bank is responsible

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

for carrying out the decisions made by the Board of Directors, formulating systems, processes and methods based on acceptable risk levels determined by the Board of Directors, adopting corresponding risk control measures, establishing and improving internal organizations, and ensuring that the responsibilities for internal control are effectively fulfilled, organising relevant departments to monitor and evaluate the adequacy and effectiveness of the internal control system. The board of supervisors of the Bank supervises the board of directors and senior management improving the internal control system and performing their internal control-related duties.

The business management departments, business outlets, and risk management departments at all levels of the Bank have established an internal control management system with clearly defined responsibilities and mutual restraints based on the principles of checks and balances. The business management departments and business outlets at all levels of the Bank constitute the “first line of defence in internal control” and are responsible for establishing and implementing internal control. They are responsible for formulating and implementing the internal control plans of the Bank, identifying and evaluating various types of risks and conducting business operations in compliance with the operating rules. The Bank’s risk management departments, compliance departments or risk control functions at all levels constitute the “second line of defence in internal control” and are responsible for guiding and supervising the construction and implementation of the first line of defence and reporting overall internal control operations to the Risk Management Committee. The Bank’s audit departments at all levels constitute the “third line defence in internal control”. They are responsible for performing the internal control supervision functions, monitoring and evaluating the adequacy and effectiveness of the Bank’s internal control, and have the right to directly report audit findings to the Board of Directors and the audit committee under it, and supervise the implementation of remedial actions.

Compliance checks

The Bank executed compliance checks in accordance with regulatory requirements. Pursuant to the Guidelines on Compliance Risk Management in Commercial Banking, the Bank formulated and implemented the Administrative Measures of Shengjing Bank for Compliance Checks (Trial Implementation) and the Detailed Rules of Shengjing Bank on On-site Compliance Checks (Trial Implementation) to regularly perform compliance inspections and assessments on operating management behaviours of branch-level institutions. In 2017, the inspection focused on regulatory risk alerts on interbank business, segregated management for the sales of wealth management products, money-laundering risk, post-lending and post-investment management and interbank risk exposures and other areas. The Bank carried out on-site risk investigations on the compliance management of the branches. Pursuant to the Rules of Shengjing Bank on Risk Control Appraisal and Evaluation, it formulated a plan for risk appraisal and evaluation on a quarterly basis, and combined self-examination and mutual checks, on-site and off-site checks, as well as qualitative and quantitative approaches in risk assessment.

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



In addition, the Bank strictly implemented various special inspections in accordance with regulatory requirements. In 2017, in accordance with the Notice of the General Office of the China Banking Regulatory Commission Concerning the Special Rectification of Behaviours in Breach of Laws, Regulations and Rules in the Banking Industry (Yin Jian Ban Fa [2017] No. 45), the Notice of the General Office of the China Banking Regulatory Commission on the Special Rectification of Regulatory Arbitrage and Arbitrage Through Idling of Funds and Through Related Parties in the Banking Industry (Yin Jian Ban Fa [2017] No. 46), and the Notice on the Special Rectification of Improper Innovation, Improper Trading, Improper Incentives, and Improper Charges in the Banking Industry (Yin Jian Ban Fa [2017] No. 53), the Bank conduct comprehensive inspections on the compliance of institutional development, compliance management, risk management, processes and system control, with a focus on credit, notes, interbank business and wealth management business. The inspections covered systems, mechanisms, processes, personnel and operations, and were organized, arranged, implemented, and documented to effectively promote the building of a long-term compliance mechanism.

Internal Audit

The Bank implements an independent vertical internal audit system accountable to the board of directors. The internal audit work is subject to supervision by the audit committee. The Bank fully leverages the third risk of defence, namely internal audit, to improve the effectiveness of internal audit management, further clarify the objectives, the position in corporate structure, the responsibilities and authority and the work processes of the internal audit department, enlarge the scope of the internal audit function, and enhance the efforts to perform special audits on key business areas and processes, expand the scope of internal audits to cover all business activities to ensure the effective implementation of strategies and business operations.

According to the Guidelines for Internal Audit of Commercial Banks promulgated by the China Banking Regulatory Commission, the employees of the internal audit department must account for no less than 1% of the total number of employees of the Bank. The number of employees in the Internal Audit Department of the Bank has met the regulatory requirement. In addition, the Bank has adopted the following measures to ensure the effective implementation of the internal audit function: First, it continues to improve the internal audit system and strengthen the control over the quality of internal audits; second, it continues to optimize the audit workflow and enhance the efficiency of internal audits; third, it improves the management of off-site audits and enhances the effectiveness of internal audits through close linkage between on-site audits and off-site audits.

In 2017, the Bank continued to expand the scope of its audits, improve the quality of its audit work, carry out routine audits and special audits and enhance special audits on business areas and processes to improve the effectiveness of audit supervision and prevent business risks. The Bank carried out 23 audit projects during the year, and effectively strengthened the implementation of internal control.

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

Employee behaviour standardisation

In order to regulate employee behaviour and improve employee self-discipline, the Bank promulgated and implemented the Shengjing Bank Employee Code of Conduct (Trial), Shengjing Bank Employee Behaviour Management Rules (Trial), and Shengjing Bank Employee Professional Skill Assessment Management Rules (Trial) to strengthen institutional restraints and guidance. The Bank combines focused investigations on employee behaviour with day-to-day training, makes full use of the workers' congress, democratic life meetings, and employee seminars, and organises employees to participate in educational campaigns on compliance-based management philosophy, laws and regulations, professional ethics, and cautionary cases at regular or irregular intervals, guide employees to learn national laws and regulations and relevant industry regulations so as to urge all employees to abide by professional ethics and enhance their risk awareness in actual work.

Anti-corruption policy

The Bank has set up a special anti-commercial-bribery leading group and issued the Opinions on the Implementation of the Special Campaign to Combat Commercial Bribery, which provided guidelines to facilitate the anti-commercial-bribery work, identified key focuses and specific arrangements for the special campaign, and set out the requirement for building and advancing a long-term mechanism to prevent and treat acts of commercial bribery. By adopting a self-examination and self-correction approach, the Bank educated a wide audience of management personnel, increased their awareness of compliance-based operation and further improved internal control systems, all of which laid a solid foundation for the establishment and improvement of a long-term mechanism.

The Bank adheres to the principle of treating both the symptoms and the causes, improves integrated management, attaches equal importance to punishment and prevention with a focus on prevention, and endeavours to do a good job of anti-corruption propaganda.

Firstly, strengthen propaganda and training, focus on training on ideals and moral convictions, cautionary cases and party rules and regulations; add variety to and improve anti-corruption campaigns, strengthen training on cautionary cases to enhance ideological and moral defences against corruption.

Secondly, attach equal importance to prevention and punishment and proactively safeguard against corruption. The Bank actively carries out preventive investigations to detect signs of and tendencies to corruption in the Bank's operations and management; analyses typical cases to sum up the characteristics of job-related crimes in the banking industry, puts forward proposals on crime prevention and inspection based on preventive investigations and case studies, in order to help the Bank establish a system of regulations to effectively curb crimes.

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)



Thirdly, strengthen supervision and discipline, adhere to democratic decision-making, focus on major financial matters, purchase of bulk commodities, appointment and dismissal of cadres, and use of large sums of funds, and conscientiously implement the Party's supervision regulations and other rules with a focus on key individuals and departments subject to supervision, to ensure transparency in the exercise of power.

Fourthly, strengthen accountability supervision over the performance of duties by management teams and management personnel at all levels, enhance the supervision of corporate administrative efficiency, and employ a variety of supervision methods including accountability, democratic supervision, and supervision by employees and public opinion, to improve compliance-based management and operations. Increase the punishment of violations, urge all employees to conscientiously perform their duties and enforce integrity and self-discipline to proactively forestall job-related crimes.

Anti-money laundering management

The Bank strictly abides by anti-money laundering laws and regulations, and actively implements various regulations on anti-money laundering in accordance with the requirements of the Administrative Measures for the Reporting of Large-scale Transactions and Suspicious Transaction by Financial Institutions issued by the People's Bank of China (PBoC Decree No. 3 of 2016), formulates the Administrative Measures of Shengjing Bank for Monitoring of Anti-Money Laundering and Anti-Terrorist Financing Lists, optimises anti-money laundering monitoring systems, establishes suspicious transaction monitoring indicators, upgrades blacklisted individual and entity databases, and creates full-time anti-money laundering positions to strengthen manual analysis and identification of suspicious transactions and further improve the quality of reports on key suspicious transactions. In addition, the Bank supervises, inspects, and evaluates the implementation of anti-money laundering work by all branches based on hierarchical management; strictly enforces the system for identifying customers and keeping identity data and transaction records; strengthens special training to enhance anti-money laundering management across the Bank; organises large-scale anti-money laundering publicity activities with six commercial banks to effectively fulfil the anti-money laundering obligations as a financial institution. In 2017, the Bank assisted the People's Bank of China in carrying out 11 anti-money laundering investigations (co-investigations).

Intellectual property protection

The Bank carries out intellectual property-related work in accordance with national laws and regulations such as the Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China, employs intellectual property rights to support and protect business operations, improves the intellectual property rights management system, and enhance the Bank's core competitiveness. While endeavouring to do a good job of applying for, managing and protecting its own intellectual property rights, the Bank respects the legal rights of others and effectively guards against the risk of infringing others' intellectual property rights.

4. SERVE THE ECONOMY TO IMPROVE PEOPLE'S LIVELIHOOD

4.1 EMPOWER THE REVITALISATION OF THE ECONOMY OF NORTHEAST CHINA

The Bank which has the largest head office in Northeast China has always adhered to the orientation and strategic goal of “becoming an integrated, diversified and high-quality joint-stock commercial bank with a leading position among peers”, serving the local economy, serving small and micro businesses, and serving urban and rural residents, giving full play to the institutional and decision-making advantages of the head office, continuing to increase credit support for the local economy. It promotes the construction of key industrial bases, the upgrading of traditional industries, and development of strategic emerging industries by introducing a variety of financial products, simplifying the approval process, and improving service efficiency. By doing so, it has played an important role in promoting economic and social development in Northeast China, and has made important contributions to the revitalization and development of old industrial bases in Northeast China.

Case:

A certain automobile company has made full use of its own strengths in car-making and axle and is actively committed to the development and application of new energy products. After knowing its financing needs, the Bank actively communicated with the company, tailored financing solutions, and extended a loan of RMB200 million to the company. The funds were mainly used to meet the company's needs for capital turnover. It is expected that after the new energy base is put into operation, it will significantly increase the competitiveness of the auto company's products, and the sales volume will reach 5,000 vehicles, and the added value of the products will be greatly increased.



4. SERVE THE ECONOMY TO IMPROVE PEOPLE'S LIVELIHOOD (Continued)



4.2 SUPPORT THE INTEGRATION OF THE BEIJING-TIANJIN-HEBEI REGION

In line with the key national strategy for the coordinated development of Beijing, Tianjin and Hebei, the Bank fully capitalises on the favourable conditions for establishing branches in Tianjin and Beijing, and increases the credit support for key projects through effective interactions between branches in and outside the province. The Bank takes the national strategy for the coordinated development of Beijing-Tianjin-Hebei as a major opportunity to market its services, and identifies the needs for financial services arising in the course of infrastructure construction, easing of the capital's functions, transfer of industrial resources, restructurings and M&As, and ecological and environmental governance in Beijing, Tianjin and Hebei. In response to innovative businesses, the head office continues to speed up its R&D and cooperates with branches to implement product and function marketing. In addition, the Bank continuously improves its service capabilities and develops specialty products that meet the individual needs of customers.

Case:

The Bank took advantage of the opportunities in the development of the Binhai New Area and the establishment of the free trade zone and the National Innovation Demonstration Zone to increase support for the Binhai New Area, and focused on high-quality customers in biomedicine, new energy and modern service industries located in the zones. It engaged in active communications with the administrative committees of the nine functional zones based on reciprocity and mutual benefit to support the development of industries with local advantages and economic development and transformation in Binhai New Area. The Bank established a long-term mechanism for market-based operations with the People's Government of Tianjin Binhai New Area to explore diverse modes of cooperation and establish close cooperative relations.

4.3 SUPPORT MICRO BUSINESSES

The Bank fully capitalised on the advantages of featured products and cooperation channels to expand its customer base of small and micro enterprises. While keeping risks under control, it improved the financial services for small and micro enterprises, and preferentially supported high-quality small and micro businesses under the government's risk compensation funds, actively supported small and micro businesses from channels including large state-owned guarantee companies and insurance companies with cooperation agreements entered into between the headquarters, and further supported small and micro businesses in consumer services, health care, culture, education and other areas related to people's livelihood, and strengthened professional and centralised management for small and micro businesses to effectively manage risks and improve business results. As of 31 December 2017, the Bank's balance of loans from small and micro businesses amounted to RMB113.674 billion.

4. SERVE THE ECONOMY TO IMPROVE PEOPLE'S LIVELIHOOD (Continued)

Case:

Shenyang Yuhong International Special Machine Tool Centre and Yuhong Component Industry Centre are key construction projects in Shenyang City. They are investment projects in Yuhong District, Shenyang City. The projects cover an area of 2,933,200 square meters and were completed in late May 2012. In order to support the business development of the enterprises in the park which lack access to finance at the initial stage, Shengjing Bank has developed an exclusive financing plan for them.

In June 2012, the Bank processed the applications of five small and micro businesses in the first phase of the park for corporate mortgage loans and granted loans of RMB16 million. The applications of other small and micro businesses were processed subsequently. As of 31 December 2017, the Bank has lent approximately RMB400 million to micro businesses, thus effectively supporting the development of projects and enterprises.

4.4 ENHANCE AGRICULTURE-RELATED DEVELOPMENT

As of the end of the reporting period, the Bank has invested in the establishment of six rural banks, among which Shenyang Xinmin Fumin Rural Bank was established by Shengjing Bank in June 2010. Since its establishment, it has upheld the service concept of supporting rural economic development, and improved the rural financial organisation system. It has effectively supported agricultural supply-side reform in the county for seven years since its establishment.

The Bank has adopted preferential policies for credit support for agribusinesses to do its utmost to promote economic development at county level and rural economic development. Priority is given to satisfying agribusinesses' need for credit to fully support industrial structural adjustment in rural areas and promote entrepreneurship among farmers and the development of the real economy. The Bank provides preferential policies and interest rates for agriculture-related loans for rural infrastructure, small and micro businesses and technological innovation. In order to effectively optimise the credit granting process and improve efficiency in approving agriculture-related loans, the Bank innovated the loan model taking into account the characteristics of agriculture-related loans, optimised the credit process and the service mechanism for supporting agriculture. The Bank has opened up green channels. In line with the concept of "customer first, high-quality services, excellent business results and management practices", the Bank, with a view to improving efficiency, optimised the approval process and implemented "one-stop standardised" service processes to accommodate the characteristics of loans for supporting agriculture. While keeping risks under control, the Bank streamlined the approval procedures to improve efficiency and ensure that loans are issued in a timely manner. As of 31 December 2017, the balance of agriculture-related loans was RMB26.97 billion.

4. SERVE THE ECONOMY TO IMPROVE PEOPLE'S LIVELIHOOD (Continued)



Case:

Since its establishment, Shenyang Xinmin Fumin Rural Bank has supported the development of two agricultural cooperatives. After years of development, the two cooperatives have grown into leading industrial enterprises integrating production, marketing, demonstration, promotion and breeding of aquatic products, and fishery-related services. They have also lifted a large number of rural households out of poverty.



4.5 PROMOTE THE DEVELOPMENT OF LIVELIHOOD-RELATED FINANCIAL SERVICES

The Bank actively implemented the concept of inclusive finance and fulfilled its responsibility for providing financial services related to people's livelihood. It continuously increased the financial support for industries essential to the people's livelihood and for public utilities covering water, electricity, natural gas, heating, public transportation, medical care and social housing. Shengjing Bank actively acts as agent for payment services and provides payment services for medical and unemployment insurances, minimum livelihood security and other social security funds. Its agent payment services are closely related to people's daily lives, covering water, electricity, natural gas, heating, telecommunications, cable television, education, traffic fines, housing fund, housing maintenance funds etc. It has become one of the banks that provide the widest range of agent payment services in Shenyang.

4. SERVE THE ECONOMY TO IMPROVE PEOPLE'S LIVELIHOOD (Continued)

One-stop payment services

The Bank was among the first banks in Shenyang to act as an agency to provide payment services for the convenience of the public. Through telephone banking, self-service equipment, mobile banking, WeChat Banking, self-service service terminals and other e-channels, it provided customers with one-stop payment services. The Bank has basically covered all public utility payment items that are closely related to people's livelihood, including natural gas, water, electricity bills, telecommunication fees and traffic fines. As of 31 December 2017, the Bank processed 5.7779 million utility bills amounting to RMB1.736 billion.



5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION



5.1 IMPLEMENTING GREEN CREDIT

The Bank has actively implemented national development strategies on green credit. In accordance with Overall Plan for the Reform of Eco-civilisation System issued by the State Council, Guidelines of Energy-efficient Credit jointly issued by the CBRC, CIRC and the National Development and Reform Commission (NDRC), and Guidelines for Green Credit issued by the CBRC and CIRC, the Bank has formulated the relevant systems, such as Guiding Opinions of Shengjing Bank on Work of Green Credit (for Trial Implementation) and Interim Measures of Shengjing Bank on Environmental and Social Risks Management (for Trial Implementation). The systems specify the connotation and working objectives of green credit, and put forward the direction and working requirements on construction of the green credit system from the aspects of classification management, policy system, process management, product and service innovation, assessment mechanism and capacity building, thus achieving full coverage of green credit management over the entire credit process. As at 31 December 2017, the Bank's balance of green credit was RMB7.525 billion.

The Bank has continued to innovate business types and service channels to facilitate the rapid economic development of enterprises and regional entities. First, the Bank has determined the industries where its loans will go and focused on increasing credit loans for enterprises in industries such as science and technology innovation, energy conservation and environmental protection, new energy and modern equipment manufacturing. Second, the Bank has supported “reducing excess capacity, destocking and deleveraging” and focused on structural adjustment on the basis of controlling total volume in the principles of total volume control and structural adjustment. Third, the Bank has continued to implement credit line management and reasonably control the scale of exposures, strengthening monitoring on the implementation of credit line management in steel, coal, cement manufacturing, flat glass and electrolytic aluminum industries to ensure that the credit line in these industries will not be increased.

The Bank has supported the development of low-carbon economy, strengthened its support to enterprises and projects that meet the national requirements of energy saving and emissions reduction and environmental protection in accordance with the principle of green credit, and invested its credit funds in green industries such as environmental protection, energy saving, clean energy and clean transportation. Meanwhile, the Bank has imposed stricter requirements on energy-intensive, pollution-intensive and resource-intensive enterprises and projects and strengthened the tracking, research and judgement of the market changes and the production and operation of industries with excess production capacity. For those enterprises which met the standards of environmental protection, energy consumption, equality, security technology and other aspects and which played active roles in solving the problem of excess production capacity and operated with efficiency, the Bank helped them overcome difficulties and stabilise their operation.

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

Case:

A water technology company in Beijing, which is committed to R&D, production and application of water treatment technology and membrane material technology, is a leading water engineering company in China with both engineering and membrane R&D and manufacturing capabilities. In cooperation with Tsinghua University, the company has completed the R&D of the world's leading horizontal membrane technology and achieved the application of the technology in industry. The Company has world-class high-quality, low-cost ultrafiltration membrane manufacturing capabilities and is one of the enterprises where are incorporated in the national plan of "Deng Ling". The company's credit line with the Bank was RMB80 million. The Bank's loans solved the company's shortage in funds for purchasing equipment for a sewage treatment and seawater desalination EPC project, ensuring the smooth implementation of the sewage treatment plant and seawater desalination plant project.



5.2 PROMOTING GREEN SERVICES

The Bank has actively promoted the innovation of e-banking business. In 2017, the Bank completed the upgrade of mobile banking and online banking, released the functions of UnionPay QR code payment, APPLE PAY mobile payment and signature-free, password-free small-scale payment and further expanded the mobile payment function to enhance customer experience in mobile applications. The Bank optimized more than 300 functional services throughout the year and attracted 456,000 new e-banking customers. The number of customers exceeded 1 million, an increase of 80.16% year on year. Sixty-one percent of the Bank's business was replaced by e-banking business.

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)



The Bank has actively promoted the building of intelligent outlets, putting mobile card issuing machines, remote video teller machines and other new intelligent mobile devices into operation to improve the intelligent service level and mobile service ability of the outlets, expand the service acceptance radius and improve the service quality of the lobby. Furthermore, it has strengthened the shunting effect of self-service equipment, optimized the layout of self-service equipment and added new functions such as time deposit inquiry, signing up for Caifutong, signing SMS notifications and accepting passbook service to further improve self-service equipment capabilities and customer experience. It has also optimized e-banking business process, realized filling-free for e-banking services on counters and simplified the filling of customer vouchers to improve service efficiency and customer experience. In 2017, the Bank launched 350 ATM, CRS and other electronic self-service facilities in the outlets, which enriched the types of the devices and the functions of services, expanded the channels of offline services and improved the customers' service experience.

Self-service Banking

The Bank's self-service equipment includes ATM, CRS, Inquiring and Payment Machine and Intelligent Terminals in Communities. In 2017, the Bank launched more self-service equipment, adjusted the proportion of the equipment reasonably and enhanced the shunting effect of the self-service, to provide convenient and secure services for customers around the clock. As at 31 December 2017, the Bank had 2,491 self-service terminals, 350 more than last year.

Online Banking

The Bank has continued to improve online financing services for enterprises to enhance settlement efficiency and overall funding services. It has also continuously improved personal online banking experience, optimizing quick login, asset view, real-time transfer and other functions. As at 31 December 2017, the cumulative number of corporate online banking customers reached 18,500, an increase of 40% over the end of the previous year; the number of corporate online banking transfer transactions was 894,600, an increase of 35% over the previous year; the amount of the transactions was RMB1.779381 trillion, an increase of 53% from the previous year. As at 31 December 2017, the Bank's personal online banking customers totalled 308,400, an increase of 67% over the previous year. After completing the upgrade of online banking, the bank's official website has adopted a simple modular design style, adding new functions such as smart transfer, quick transfer and quick payment and supporting various browser versions including IE, 360, Safari, Sogou, QQ, etc. to further enhance customer experience. In the year, personal banking transfer transactions totalled 871,200, an increase of 88% over the previous year. The cumulative amount of the transactions for the year was RMB28.635 billion, an increase of 117% over the previous year.

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

Mobile Banking

The Bank has already completed the upgrade of mobile banking, upgrading the interactive operation page, optimizing the three major functional modules of “Mobile Finance”, “Wealth Management Supermarket” and “Community Life” and simplifying the operation process to conform to the customer’s usage habits and enhance interactive experience. As at 31 December 2017, the number of individual customers for mobile banking reached 618,000, an increase of 75% over the end of the previous year. In the year, mobile banking saw a total of 1.7162 million transfer transactions, an increase of 61% over the previous year and the amount of the transactions was RMB12.659 billion, up 62% year on year; there were 545,300 public utilities payments, an increase of 43% over the previous year and the amount of the payments totalled RMB88.4209 million, an increase of 51%.

TV Banking

The Bank has put forward a concept of home banking. With application of TV Banking, people could get access to their accounts, transfer capitals, make investment, perform wealth management and pay for daily expenses at the same time when they enjoy TV programs at home. As at 31 December 2017, the Bank has launched TV Banking services for over 99,000 households in Shenyang, Anshan and Tieling.

WeChat Banking

The Bank has actively enriched the functions of WeChat banking and provided users with services such as account information notification, account inquiry, housing fund inquiry, ETC housekeeper, information inquiry on latest wealth management products, daily life payment, search of outlets and manual customer service, diversifying customer service channels and satisfying the demands of customers for convenient inquiry, fast payment, etc. The Bank has delivered product information to users and carried out educational campaign of financial knowledge through WeChat to expand marketing channels so that customers can understand latest product information in a timely manner, increase the way and frequency of the customers to understand investment and wealth management, rights protection, risk prevention and other financial knowledge, guide the customers to safely and reasonably use banking products and services and increase customer awareness and ability to protect their own property and information security. As at 31 December 2017, the Bank’s WeChat banking customers reached 283,400, an increase of 135% year on year.

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)



5.3 ADVOCATING GREEN OPERATION

The Bank regards the protection of environment and resources as an important responsibility. Therefore, the Bank has strictly abided by Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution, Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China, Water Law of the People's Republic of China and other relevant laws and regulations.

To further improve the level of energy management and promote a concept of green office, the Bank has attached importance on promotion of environmental protection. The Bank established systems including Management Measure of Shengjing Bank for Green Offices and Implementation Regulations of Shengjing Bank for Energy Conservation in Offices, carried out promotion and education activities in various forms and delivered the documents from the government, China Banking Regulatory Commission and the head office regarding energy saving and emissions reduction. The Bank has vigorously promoted the construction of office automation systems and remote video conference systems, actively promoted paperless office and cultivated employees' awareness of energy conservation to facilitate recycling of resources and reduce resource consumption.

The Bank has continued to enhance its environmental and social performance, promoted green operations, and strived to integrate the concept of environmentally-friendly, energy-saving and low-carbon sustainable development into the Bank's daily operations. The Bank is committed to improving the efficiency of energy, water resources and materials, reducing natural resource consumption in accordance with national and local laws and regulations related to its business, doing a good job in environmental protection and ensuring the effective implementation of energy conservation.

Measures of Energy Saving and Emissions Reduction:

Energy consumption and greenhouse gas emission by the Bank in 2017

| Type | Unit | 2017 |
|--------------------------------------|-------------------------------|----------|
| Head office power consumption | 10,000 kWhs | 274.6 |
| Head office water consumption | Ton | 44,966 |
| Head office oil consumption | Liter | 177,738 |
| Head office natural gas consumption | Cubic meter | 18,451 |
| Head office greenhouse gas emission | Ton carbon dioxide equivalent | 2,899.02 |
| – Direct greenhouse gas emission* | Ton carbon dioxide equivalent | 419.76 |
| – Indirect greenhouse gas emission** | Ton carbon dioxide equivalent | 2,479.26 |

* Including oil consumption by armoured trucks hired by the Bank's outlets in Shenyang

** Including greenhouse gas emission resulting from natural gas consumption and oil consumption

*** Including greenhouse gas emission resulting from power consumption and municipal heating supply

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

In response to the call of the country to “build a resource-saving, environmentally-friendly and harmonious society,” the Bank has actively promoted green offices, pushed the implementation of energy conservation and increased energy efficiency and economic benefits. Closely focused on “energy conservation and emissions reduction and scientific development”, the Bank has taken various methods to implement energy conservation and emissions reduction in daily management based on local conditions, and everyone has been involved. The methods are as follows:

- Saving air-conditioning power consumption. Air-conditioner temperature was set at 25°C or above in summer. The main engines of air-conditioners were shut down at 17:00. In 2017, the Bank strictly controlled the permission to use air-conditioners and adjusted the operation time of air-conditioners according to real-time weather changes to reduce electricity consumption, based on insuring to provide comfortable temperature in the office building.
- Saving electricity used by office equipment. The Bank reduced standby time for office equipment such as computers, printers and copiers, and used natural light in office areas to reduce the power consumption of lighting equipment. The in-charged person for every power consumption facility required to turn off the power after work. Security officers inspected floor lighting twice a night, checked floor lighting and turned off all floor lighting at 12:00 am.
- Actively adopting telecommuting to reduce unnecessary staff travel. During the reporting period, the Bank held 154 video conferences.
- Promoting a green database. The Bank continued to use virtual servers to replace physical servers, saving procurement, power and cooling costs and reducing energy consumption and demands for cooling. At the end of the reporting period, the Bank's database has 882 virtual servers, reducing procurement costs by more than RMB50 million, cutting operation and maintenance costs by more than RMB50 million, saving 8 million kWh electricity and reducing 6,280 tons of carbon dioxide emission.
- Establishing a centralized commodity procurement system to standardize the storage, utilisation, recycling and retirement of office supplies. Moreover, documents were circulated through an OA system and office paper was used on both sides to effectively avoid waste.

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)



Disposal of Wastes:

- Recycling equipment. The replaced terminal devices were recycled. In 2017, 736 units of equipment were recycled (340 terminals, 222 passbook printers, 57 needle printers, 103 gold card keyboards, 8 network devices and 6 servers) and 8,228 supplies (print cartridges, toner cartridges, ribbons) were scraped. Twenty-nine units of self-service equipment were updated.
- Used batteries: Mercury, lead and cadmium in the batteries could do great harm to human health and the environment, so the Property Management Department required all staff not to discard used batteries but to put them into recycling bins for recollection and management.
- Obsolete fluorescent tubes: since the fluorescent powder in fluorescent tubes contains mercury which would be hazardous to the ecological environment if not been preserved and dealt with appropriately. Therefore, the obsolete fluorescent tubes should be transported to related units and then to the units engaging in recollecting, preserving and disposing hazardous wastes. It is banned to provide or entrust the hazardous wastes to the units which do not have any licenses to recollect, preserve and dispose the wastes.

Procurement Management:

In order to standardise and manage office supplies and choose suppliers reasonably, the Bank has established the Management Measures of Shengjing Bank for Centralised Procurement (for Trial Implementation) in accordance with Government Procurement Law of the People's Republic of China, Bidding Law of the People's Republic of China, Contract Law of the People's Republic of China and other laws and regulations, as well as the rules and standards of Shengjing Bank Co., Ltd. The Management Measures of Shengjing Bank for Centralised Procurement clarified the scale, methods and procedures of the centralised procurement. The standards of the Bank for the selection of suppliers: following the principles of being open, fair, impartial, honest, reasonable, suitable and giving priority to efficiency, the Bank has ensured the best performance and price of centrally purchased goods, engineering and services. In principle, the Bank shall purchase domestic goods, engineering and services and give priority to the purchase of energy-saving, environmental protection and national supported products.

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT

6.1 IMPROVE SERVICE QUALITY

The Bank has enhanced its service environment and improved its service facilities and is committed to providing customers with quality financial services. In accordance with the overall deployment of the head office, it has carried out service etiquette inspection and appraisal activities at various outlets throughout the jurisdiction. Through financial product innovation, the Bank has provided customers with a variety of wealth management products to meet the diverse demands of customers. Moreover, it has broadened customer service channels, further expanded the scope of financial services in the region, deepened the distribution of outlets and increased financial support for counties, enabling people to enjoy more convenient and efficient financial services.

To further improve service quality, the Bank has actively formulated the “2017 Plan on Service Improvement of Shengjing Bank”, which effectively promoted the Bank’s service management from various aspects such as management structure, management responsibilities and service assessment.

The Bank has launched the campaign of “Hundred Days Service Competition”, set up awards for outstanding service collectives, excellent service models and outstanding service stars and implemented evaluations across the Bank to enhance the participation enthusiasm of the Bank’s staff and improve the service quality of the Bank.

The Bank launched an essay contest on the theme of “Service Creates Value, Service Enhances Competitiveness, Service Drives Development” and the “Video Communication Activities on Financial Supporting Real Economy and People’s Livelihoods” to enhance the leadership and employees’ sense of service providers so as to improve the service capabilities of the entire bank.

- Improving customer service experience. Considering customer demands, the Bank has regularly optimized the business processes on counters and of electronic channels and improved service acceptance efficiency to enhance customer service experience. The Bank has actively promoted innovation in e-banking business. In 2017, the Bank completed the upgrade of mobile banking and online banking, releasing CUP QR code payment, APPLE PAY mobile payment and signature-free, password-free small payment and other functions to further expand mobile payment capabilities and enhance customer experience in mobile applications. In the whole year, more than 300 service functions were optimized and 456,000 e-banking customers were newly added. The number of the e-banking customers exceeded 1 million, an increase of 80.16% year on year. The Bank has optimized the e-banking business processes, realising filling-free e-banking services on counters and simplifying the filling of vouchers to improve business efficiency and customer experience. The Bank has actively promoted the construction of intelligent outlets, adding smart devices such as mobile card issuing machines and remote video teller machines to improve the intelligent level of services and the ability of offering

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



mobile services of the outlets, expand the service acceptance radius and enhance the service quality of the lobby. Furthermore, the Bank has strengthened the shunting effect of self-service equipment, optimized the layout of self-service equipment and added new functions such as time deposit inquiry, signing of Caifutong, signing SMS notifications and acceptance of passbooks to cash self-service equipment, further enhancing self-service equipment service capabilities and customer experience.

- Improving the supervision and management of customer services. The Bank enhanced its customer service quality through establishing service quality evaluation and monitoring mechanism, launching service quality improvement activities and conducting more inspections on services in outlets. The Bank laid more importance on tracking and urging the progress of dealing with customers' complaints and ascertaining the accountability. A customer complaint platform with 95337 as a main channel was launched. As at 31 December 2017, the customer service center has a total of 71 staff members, including 12 management personnel and 59 customer service representatives. The 59 customer service staff received 3.7052 million calls. The response and call-back rate reached 100% and the customers' satisfaction achieved 100%.
- Satisfying customers' diversified demands for wealth management and investment. To meet the customers' demands for investment, the Bank not only launched a Caifutong series of smart saving products for customers who lay stress on saving and a Red Rose series of wealth management products, such as Zhiying, Wenying and Shengying, for customers who put emphasis on wealth management, but also launched Shengjingbao, precious metal consignment and fund consignment, in order to provide various choices of financial products for customers.
- Caring for the special customer group. For the special customer group, the Bank opened an easy access in outlets, established special service counters such as counters for the special group, counters for the disabled and foreigners, increased service facilities and strengthened the innovation and improvement of service channels to meet the demands of the special customer groups.
- Improving inclusive financial services. In 2017, the Bank increased its efforts in inclusive financial services and facilitated the investment demands of its customers for savings products. On the basis of the Caifutong series of saving products, the Bank researched and developed Chuangli series of smart saving products, mainly including "Chuanglitong", "Chuanglicun" and "Chuangliying". The smart savings products are more flexible in terms of withdrawal methods, interest payment methods and they can be withdrawn and used at any time. The Bank achieved intelligent management of customer funds.
- Actively participating in the appraisal of high-quality, civilised services held by China Banking Association. In 2017, 11 outlets, including Shenyang Branch outlets and Beijing Branch outlets, were awarded the title of Civilized and Standard Service Star in Chinese banking industry.

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Etiquette Training

In order to enhance the overall service image of the Bank and enhance its employees' quality and service capabilities, the Bank launched a special etiquette training of "Commercial Bank Service Management" in 2017, and hired outside experts to carry out commercial bank service management training, including service management knowledge, changes in banking service trends, system development, regulatory highlights, selection of excellent service creation routes, to improve the service concept of its staff, broaden their horizons and boost its business.



User-friendly Facilities in the Outlets

The Bank attached high importance to the construction of user-friendly facilities, taking the actual needs of special customer groups, including the elderly, the weak, the sick, the disabled and the pregnant women, into consideration when making the master plan of outlet construction. The Bank has established 127 ramp ways, 113 parking spaces for the disabled, 98 braille guidebooks, 78 cards for aiding the blind, 185 voice queuing machines, 90 braille keypads, 148 voice currency detectors, 356 voice ATMs, 860 voice displays, 197 seats for the special group, 142 counters for the special group and 62 pet stations. In addition, each outlet is equipped with first-aid kit and presbyopic glasses. Some outlets has child seat, charging equipment for phones and other facilities. Also, customers with visual disturbance are allowed to bring their guide dogs which have been registered, certificated with identification marks and in working state into the outlets.

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



Broadening Service Channels

Following the national development strategies, such as integration of Beijing, Tianjing and Hebei province, Yangtze River Economic Zone, revitalisation of northeast China and the innovation-driven Liaoning province, the Bank optimised its outlet distribution and expanded the channels of customer services. In 2017, the Bank established 11 traditional outlets in Beijing, Shanghai, Tianjin, Changchun and Liaoning provinces. Meanwhile, the Bank established 1 sub-branches for small and middle enterprises to further support the start-ups and public innovation and provided convenient financial services for small and middle enterprises. As at 31 December 2017, the Bank had a total of 201 business outlets. In addition, the Bank has actively promoted the intelligent services of its outlets. By increasing the number of electronic smart service facilities, the proportion of customer self-services has been increased and channel service efficiency has been improved. In 2017, the Bank launched 350 new types of electronic self-service devices such as ATMs, CRSs at the Bank's outlets. Intelligent devices such as mobile card issuing machines and remote video teller machines were newly introduced, further enriching equipment types and service functions, broadening the scope of offline service channels, improving the intelligent service level and mobile service ability of the outlets, expanding the service acceptance radius and improving the service quality and customer service experience at the lobby.

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

6.2 SAFEGUARDING CUSTOMERS' RIGHTS AND INTERESTS

The Bank had established regulations and systems, including Working Guidelines of Shengjing Bank for Protecting Customers' Rights and Interests, Working Regulations of Shengjing Bank for the Committee for Protecting Customers' Rights and Interests and Measures of Shengjing Bank on Assessment for Protection Work of Customers' Rights and Interests. The Bank has also established a department for protecting customers' rights and interests, launched a magazine with a theme of Shengjing Bank's protection of customers' rights and interests and set up a quick treatment procedure to deal with complaints, which enabled the customers make complaints via phones, emails, notices and other methods. In addition, the Bank has enhanced the protection of individual information, included the basic individual information, financial information, transactions and other information into the protection scope, and improved the management and control of such procedures as collection, preservation, delivery and retrieval. Also, the Bank has enhanced the education on the staff's awareness of risks and confidentiality to ensure they could comply with confidentiality systems and keep their confidentiality commitments.

The Bank has carried out campaigns actively to spread financial knowledge. It established annual plan each year and carried out a one-month special campaign for spreading financial knowledge on each 315 International Day for Protecting Consumers' Rights as well as a campaign for spreading financial knowledge from July to September. In September, the Bank cooperated with regulators in carrying out an activity of delivering financial knowledge to thousands of families and a one-month campaign for spreading financial knowledge. The Bank always persisted in field promotion in its outlets, encouraged all branches to initiatively spread financial knowledge via WeChat official accounts, Weibo and other social media.

With the purpose of building an "ethical bank" and "responsible bank", the Bank has always performed its social responsibilities and is committed to building a harmonious society. The Bank's investment in public education services amounted to RMB543,800. It held 12 special public education campaigns and accumulative number of public education activities were 3,059. The number of volunteers participating in the public education activities reached 12,564 and 1,706,800 people received the public education. During the public education activities, 786,000 copies of publicity materials were distributed.

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



3.15 Campaign for Further Protecting Customers' Rights and Interests

The Bank carried out a one-month campaign for further protecting consumers' rights and interests from 1 March to 31 March 2017.

With the theme of “preventing telecommunications fraud and enjoying happiness in the remaining life” and targeting the elderly, the Bank carried out “Six One” series of activities, i.e. one training of financial knowledge of “preventing telecom fraud”, one keynote presentation activity of youth volunteer teams, one special campaign for a financial knowledge education and demonstration base, one micro video contest, one large-scale campaign covering all outlets, and one intensive media coverage, laying a solid foundation for deepening the public education of financial knowledge, raising the public's self-protection awareness and capabilities and taking substantive measures to perform the spreading of financial knowledge.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Campaign for Spreading Financial Knowledge

To comprehensively improve the consumers' financial abilities and enhance their awareness of risk prevention, build a harmonious financial order and earnestly perform the social responsibilities and duties of spreading financial knowledge, under the requirements of the China Banking Association, the Bank carried out a campaign of spreading financial knowledge from July to September. On the basis of regular publicity, promotion in communities, campuses, enterprises and public institutions and trading area and promotion during holidays and through the internet were carried out in addition to the common field promotion, which motivated the initiatives of people in learning financial knowledge. The campaign spread the financial knowledge, normalised and standardised the work of financial risk promotion and protection of financial consumers' rights and interests, and created an atmosphere for the public to learn, understand and use financial knowledge.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



Campaign for Delivering Financial Knowledge to Thousands of Families

In September 2017, the Bank launched a one-month campaign of “Spreading Financial Knowledge to Thousands of Families”. With the theme of “using financial services correctly and safeguarding your rights and interests in accordance with the law”, the Bank carried out a distinctive campaign of spreading financial knowledge with its own characteristics. The Bank entered to communities, enterprises and public institutions, squares, universities, business areas, barracks and construction sites, comprehensively raising the public’s awareness of financial safety and the level of their financial knowledge. The Bank actively guided the consumers to use its financial services skilfully, enhancing consumer confidence and created a good atmosphere for the public to learn, understand and use finance.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

One-month Campaign for Spreading Financial Knowledge

In September 2017, the Bank launched a one-month campaign of “Spreading Financial Knowledge”, which focused on peasants, migrant workers, young people, senior citizens and the disabled, with the slogan of “spreading financial knowledge, enhancing financial literacy, preventing financial risks, build a harmonious financial system.” The Bank innovated publicity model, focusing on spreading the financial knowledge of campus loans, telecom fraud, illegal fundraising, credit, counterfeit currency identification and self-service equipment to the low-net-worth population through the “going outside” and “introducing” promotional methods, based on regular publicity. The Bank fulfilled its purpose of building “an ethical bank and a responsible bank”.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



6.3 CONTRIBUTION TO STAFF'S DEVELOPMENT

| Category | | As of 31 December 2017 | | As of 31 December 2016 | |
|----------------------------------|-------------------------------------|------------------------|------------|------------------------|------------|
| | | Number | Percentage | Number | Percentage |
| Total | | 5,239 | 100.00 | 4,824 | 100.00 |
| By gender | Male | 2,262 | 43.18 | 2,128 | 44.11 |
| | Female | 2,977 | 56.82 | 2,696 | 55.89 |
| By type of employment | Contract-based employee | 5,239 | 100.00 | 4,824 | 100.00 |
| By age group | Below 30 years old (inclusive) | 2,277 | 43.46 | 2,109 | 43.72 |
| | From 31 to 40 years old (inclusive) | 1,530 | 29.21 | 1,340 | 27.78 |
| | From 41 to 50 years old (inclusive) | 1,273 | 24.30 | 1,265 | 26.22 |
| | Over 50 years old | 159 | 3.03 | 110 | 2.28 |
| By region | Within Liaoning province | 4,267 | 81.45 | 3,891 | 80.66 |
| | Beyond Liaoning province | 972 | 18.55 | 933 | 19.34 |
| New entrants | | 520 | 9.93 | 359 | 7.44 |
| Employees from ethnic minorities | | 496 | 9.47 | 440 | 9.12 |

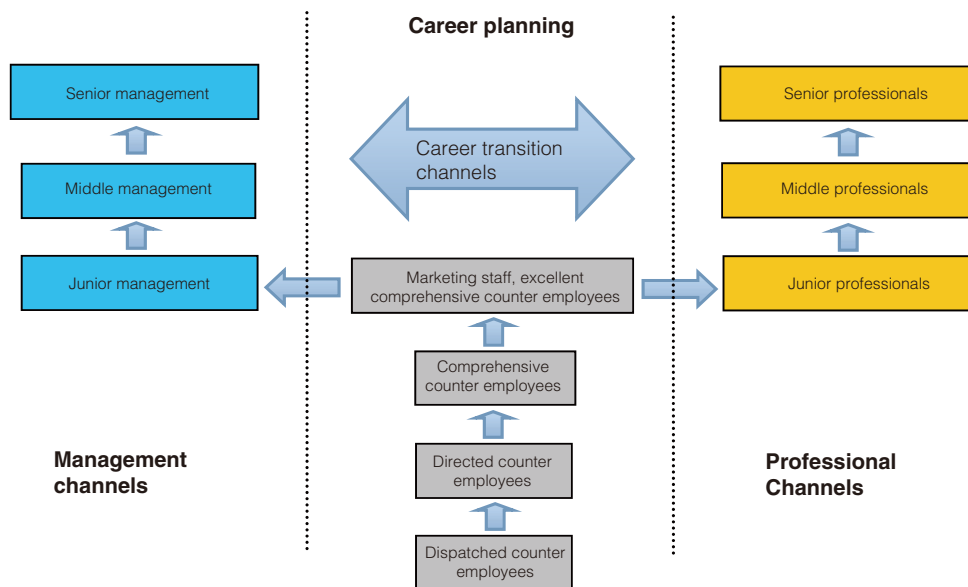
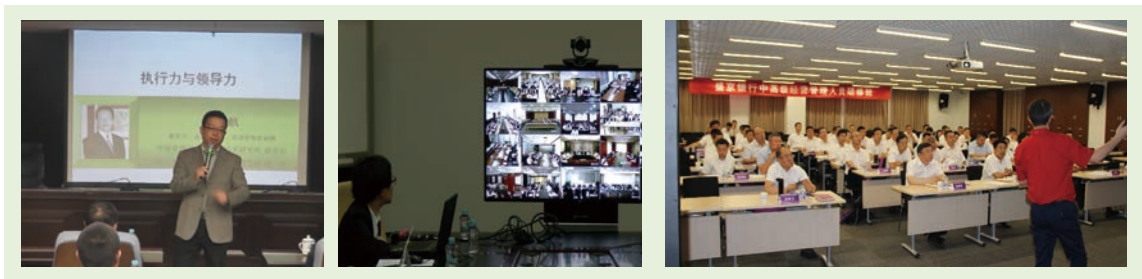
For recruitment, the Bank established Management Measures of Shengjing Bank for Recruitment, to emphasise the recruiting principle of being open, fair and impartial. The Bank also established a system to guarantee supervision and maintained object and fair attitude in the recruitment to provide equal employment opportunity for employees. The Bank follows requirements of the labor laws and related laws and regulators and does not allow operating activities involving child laborer, forced and compulsory labor.

For labour relationship management, the Bank launched Implementation Guidelines of Shengjing Bank of Labour Contract System for All Staff and Management Measure of Shengjing Bank for Employment, which attach emphasis on the management of contract system for all staff, established an employment mechanism with labour contract management system as its core, enhanced the main responsibilities of the Bank and boosted the development of both the Bank and the staff's careers. In addition, the Bank established Management System of Shengjing Bank for Attendance, putting forward a working system of "five days a week and eight hours a day" and a system for overtime payment. The Bank specified the rights of statutory leave, such as sick leave, personal leave, maternity leave and wedding leave. Management Measures of Shengjing Bank for Leaves and Holidays were established, which standardised the management and approval procedures of paid annual leaves in details and adequately guarantee the implementation of staff's rights and interests. During the reporting period, the Bank had no employee who was injured or dead due to work.

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

For remuneration management, the Bank formulated Management Measures of Shengjing Bank for Remuneration, Plan of Shengjing Bank for Enterprise Annuity, Plan of Shengjing Bank for Supplementary Medical Insurance, Management Measures of Shengjing Bank for Staff Level Assessment of Professional Skills and Management Measures of Shengjing Bank for the Levels of Risks and Responsibilities of Posts. These documents specify the components of the staff's remuneration, add the enterprises annuity and supplementary medical insurance in addition to the basic welfare guarantee, and further enrich the types and content of the staff's welfare.

For career development, the Bank built an extensive platform for career development of the staff, made a breakthrough from the single promotion way of appointment to different promotion channels for personnel from operation and management and for professional talents. The staff could choose development directions for future career, taking into consideration of their own capacities and characteristics, which realised the mutual development of the company and the staff.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



In terms of employee training, the Bank established a three-level training system for the headquarters, branches and sub-branches and implemented a training management model of responsible for different levels and performing as classifications. Based on the demands of enterprises for talent, the Bank focused on training management personnel and part-time teachers, encouraged all levels of business backbones to give full play of their strengths and perform business presentations and coaching combining their experience. The Bank gradually trained its core employees through work practice and theoretical induction. The Bank improved staff's business ability through giving priority to the improvement of training quality, diversified training and flexible use of serving in a lower level unit for a period. The Bank improved training results through combining theory with practices. During the reporting period, the Bank organized a total of more than 330,000 trainings and created a total of 17 video courses, covering 100% of its employees.

| Name of KPI | Unit | 2017 | 2016 |
|--|------|------|------|
| Average credit hours (operating and management personnel of mid and senior levels) | Hour | 30 | 46 |
| Average credit hours (operating and management personnel of junior levels) | Hour | 42 | 81 |
| Average credit hours (Employees) | Hour | 96 | 153 |

The Second Congress of Members and the First Session of the Second Congress of Workers

The Second Congress of Members and the First Session of the Second Congress of Workers was held on 18–19 April 2017, with the presence of the leadership members of the headquarters of the Bank, comrade Cao Hong, Vice Chairman of Shenyang Federation of Labor Unions and comrade Liu Zongchun, Chairman of the Service Industry Labor Union of the Shenyang Federation of Labor Unions, and 235 delegates from the Bank attended the meeting. In accordance with the prescribed procedures, the Second Committee, Fund Examination Committee and the Female Employees Committee of the Labor Union of the Bank were selected at the meeting and comrade Xu Cheng was elected as Chairman of the Labor Union.

At the opening ceremony, Comrade Cao Hong, Vice Chairman of the Shenyang Federation of Labor Unions, extended a warm congratulation to the opening of the meeting on behalf of the Shenyang Federation of Labor Unions. He fully recognized the work and achievements of the labor union of the Bank over the past five years since its establishment in terms of the building of its own organization and corporate culture and caring for employees. On behalf of the first labor union committee, comrade Xu Cheng gave a report titled "Striving to Create a New Era for the Labor Union of Shengjing Bank through Forging Ahead Based on Serving the Whole Bank", comprehensively summarizing all aspects of the work of the first committee of the labor union of the Bank, putting forward requirements for the work in the next five years and making deployments. The meeting submitted the report on the work of the first Fund Examination

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Committee and the debriefing report on the work of employee supervisors in writing for deliberation.

The second committee of the labor union will firmly grasp the theme of the work of labor union in the era, focus on the key work of the whole bank, give full play to the labor union as the bridge connecting the party and the masses and shoulder the glorious mission and responsibility to create a new situation of the development of the labor union.



Professional Skill Competitions

Professional Skill Competitions were held in the Bank on 7–8 September 2017. Ten branches were awarded the prize of Outstanding Organisation while 95 employees harvested the title of Role Models and Excellent Performers.



Work Competition

In the spring of 2017, the 100-day marketing competition involved all staff achieved good results with the joint efforts of the whole bank. 6 excellent entities such as Shenyang branch, 20 excellent collectives such as Beijing branch, 20 marketing models including Bing Jingxu and 40 marketing performers including Zhang Yun were awarded with medals and certificates. The marketing models and marketing performers will be sent to study in Shanghai.

The Bank calls on the staff of the Bank to follow the example of the excellent models and closely focus on the semi-annual work report and the spirit of the speech delivered by Chairman Zhang Qiyang at the half-year work meeting to implement new ideas for business development

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



and adopts a new concept of transformation and development. With the goal of building a comprehensive, diversified, high quality and leading joint- stock commercial bank in its sector, the Bank will constantly strengthen and improve its marketing channels, enhance business functions and innovate service products and service level. It will work hard to complete its task for the whole year with firm confidence, inspiring spirit and solid work.

Construction of Staff's Home

The fitness centre in the head office was established by the Bank, which offered a place for the staff to exercise, release their pressure and refresh themselves.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Model Workers' Home

In November 2017, the Wanquan Sub-branch won the title of “Model Workers’ Home” in the selection of “Model Workers’ Home” organized by the service industry labor union of Shenyang, and was honored by the Municipal Service Industry Labor Union.

The labor union of Wanquan Sub-branch gave full play to the democratic management and democratic supervision of employees and the role of the labor union as a bridge and a link. The labor union publicized the work of the Bank using various forms such as notification bar, intra-group WeChat group and employee conferences. The rules and regulations of the bank, the bonus distribution plan, the division of positions, the selection of excellent employees and the selection of party members were all announced in time. The labor union committee also widely solicited opinions and suggestions from employees and researched and solved them one by one. All members are very satisfied with the transparency and timeliness of the branch’s democratic management and the publicity of the work of the Bank.

The labor union of the branches carried out a variety of staff sports activities. The Bank not only has a “reading corner” for paper books, but also establishes an “electronic book house” in the WeChat group of the sub-branch, striving to make employees become participants, builders and beneficiaries of the Bank’s cultural construction. The Branch organized friendly matches and networking activities such as basketball, table tennis, badminton, karaoke, etc., with Northeast Pharm Group and the Liaoning Branch of China Development Bank to promote business cooperation.

The labor union of the branches also actively carried out activities to deliver warmth. On the eve of each important holiday, members of the leadership visited the sick and hard-working staff and sent them consolation money. The leaders of the labor union also attended the wedding of the staff and the funeral of their families. The branch also launched the “community financial service dedication day” activity, regularly assigning two volunteers each month to serve the community residents in Qingquan community in Shenhe District.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



Hiking

On 14 October 2017, all employees of the Beijing Branch's labor union participated in a hiking of Shengjing Bank in a crisp autumn day in the Olympic Forest Park.

The staff who participated in the activity enjoyed a healthy sports atmosphere. The players who fought for time and pace were racing. The participants who sought for experience walked and stopped and enjoyed the beauty of the forest park in autumn. Creating maximum participation and meeting the diversified demands of employees for fitness is the biggest highlight of this labor union activity. This hiking not only further promoted the fitness activities of employees, but also enhanced the cohesiveness and team spirit of employees. Moreover, the event coincided with the 10th anniversary of the rename of Shengjing Bank and embodied the blessings for the Bank's advancement and steady development.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Staff Libraries

To further constructing a learning organisation, cultivating an atmosphere of studying and promoting corporate development, the Bank established staff libraries to create a good cultural atmosphere. All branches carried out reading activities based on the willingness of the Staff and encouraged them to join the activities.



Outdoor Activities

In order to better stimulate the work enthusiasm of employees at the branch, cultivate the awareness of active communication, mutual trust and team spirit of employees and enhance employees' sense of responsibility and belonging, Shanghai Branch organized nearly 100 employees to participate in outdoor activities in 3 batches with the theme of "making concentrated efforts with cohesiveness to create a better future".

6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



In a relaxed and happy atmosphere, the participants randomly grouped and formed teams. Through campfire party, directional walking tours and fun games, the team not only tested the team members in terms of physical strength, but also raised high requirements in team spirit, the way of thinking and carefulness. Through the activities, the employees deeply felt the importance of coordination and consistency, unified command and effective performance for achieving a team's common goal, the decisive role of teamwork in overcoming objective obstacles and the special value of every team member. Each participating employee clearly saw his or her own shortcomings in the process of experience, effectively tapped the potential of themselves and the team, strengthened teamwork awareness and demonstrated the vigor and elegance of Shengjing people.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Basketball Game

On 12 October 2017, the “Fourth Dalian Financial System Basketball Game” was grandly opened. The Dalian Branch of the Bank participated in the game. This game fully demonstrated our team’s positive and courageous team spirit and cohesiveness. In the game, we obeyed the referee and showed our style and skill.

In the game, everyone strived to grab the ball. Agile dribble, skillful pass and beautiful shots showed their skills, hard work and perfect cooperation, winning the cheers of the audience. The game, resounded with the laugh of the audience, fully reflected the team’s coordination and cooperation capabilities and the players’ competitiveness.



Badminton Game

On the afternoon of 4 November, Beijing Branch’s labor union held the “4th Staff Badminton Game of Beijing Branch” at the Petrochemical Stadium. After more than three hours of fierce competition, five champions occur on men’s singles, women’s singles, doubles and mixed doubles. In the end, four outstanding badminton players from the Beijing Branch presented a wonderful exhibition game for everyone, attracting applause and cheers from the audience.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



Helping Employees

Tianhe Branch expressed sympathy and solicitude for the employees in difficulties and sick and sent them consolation money and daily necessities. They asked them in detail about their illness and family life, encouraged them to be confident in overcoming their sickness, struggle against difficulties and establish a positive and optimistic attitude to life.

Delivering Warmth

To solve the problem of helping staff with great or unexpected difficulties in time, the Bank, supported by the staff relief fund, continuously carried out activities to deliver warmth across the Bank. We issued notices to collect the information about the number of staff with difficulties and update their profiles. Also, we developed and improved the mechanism for helping them, performing both temporary and regular relief. During 2017, we visited 87 employees in dire straits and sent out relief fund RMB234,000.

Caring Room for Female Staff

Tianhe sub-branch of Shenyang Branch established a Mother's Room to provide a private, clean, warm and comfortable environment for pregnant female staff and those who were in lactation period, as well as various caring services to meet the special needs of female staff. The 25 square-metre Mother's Room of Tianhe sub-branch had warm and private environment and reasonable layout, equipped with a premium fabric sofa, a tea table, a crib, a refrigerator, a water disperser, music player, a disinfectant and drying machine, toys and children's books, etc. The walls were decorated with cartoons and animals to give prominence to the theme of warmth. There were cleaners cleaning and maintaining the room every day. They would sterilise the indoor equipment to ensure the room was tidy and clean. We work hard to make the Mother's Room into a warm and cosy place for exchanging ideas and enriching life for the female staff.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

6.4 COMMITMENT TO SOCIAL BENEFITS

Charitable Service Base

In order to demonstrate Shengjing Bank's corporate culture characterised by "Integrity, Affinity, Entrepreneurship, Professionalism and Dedication" and fulfil its social responsibilities, Shengjing Bank Liaoyang Branch established a charitable service base in Liaoyang Children's Welfare Home on the eve of the Spring Festival, and an unveiling ceremony was held.

Though the weather was extremely cold, everything was warm in Liaoyang Children's Welfare Home. Following the unveiling ceremony, representatives from young employees of Liaoyang Branch sent a message to the orphans and mentally retarded children who lived in the welfare home. They brought with them fruits, toys, school supplies, daily necessities, and other Spring Festival gifts to them. Afterwards, the director of the welfare home showed the representatives around the children's activity room and lounge, and gave a detailed introduction of the welfare home and the children's life. The representatives interacted with the children, danced and played games with them, brought joy and warmth to the orphans and disabled children, and were endeared to the children.

Liaoyang Branch's "Charitable Service Base" is not only an important measure for the branch to actively fulfil its social responsibilities, but also provides a practical education platform for young employees of the Bank to participate in ideological education, provide volunteer services, and make contributions to society. With the charitable service base as a new starting point, Liaoyang Branch will continue to carry out long-term and diversified charitable activities, fulfil its social responsibilities, spread the message of love, and make more contributions to building a harmonious society and supporting local economic development.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)



Fixed-point poverty alleviation

The Bank has always integrated development-based support into its development, with a focus on industrial structural adjustment and precision poverty alleviation in rural areas. It adopted a “development-based” approach to poverty alleviation, implemented in-depth infrastructure projects and other projects to increase farmers’ income and improve their qualifications to empower poverty-stricken areas to develop their economies independently and help the poor get out of poverty. The Bank has, for many years in a row, provided assistance to Zhoutuozi Village, Xinmin City, and invested hundreds of thousands of yuan in poverty relief funds each year.

17 October 2017 marked China’s fourth poverty alleviation day and the 25th International Day for the Eradication of Poverty. In accordance with the Notice of the Liaoning Banking Regulatory Bureau on Publicity Work for the Poverty Alleviation Day of 2017 and the work arrangements of the workers’ union of the head office, Shenyang Branch actively organized sub-branches to carry out publicity activities on the poverty alleviation day to create a strong atmosphere, join forces with other parties for poverty alleviation and ensure that the propaganda on the efforts of financial institutions for targeted poverty alleviation was heard, focused and effective.

On the poverty alleviation day, Yuhong Sub-branch focused on publicizing the rural banks initiated by the Bank. The rural banks focused on leading enterprises in the food processing industry, other large enterprises, explored business opportunities among farmers on the upstream to expand the scope of poverty alleviation loans, and introduced practical credit products for new agribusinesses including leading companies for poverty alleviation, large farmers and family farms. Zhongshan Branch paid visits to poverty-stricken households in the surrounding communities, encouraged them to be optimistic and overcome poverty. They also sent daily necessities such as soybean oil to households in need. Baogong Sub-branch attached great importance to fixed-point poverty alleviation. A community reporting system with staff designated was established to help the elderly living alone in the community pay various utility bills such as water, electricity and natural gas. The community financial service team of the sub-branch submitted a monthly report on fixed-point assistance.

Shenyang Branch fully demonstrated the Bank’s sense of social responsibility as a public bank through various publicity activities, and capitalised on the business characteristics of Shengjing Bank to help the poor and make them feel they are cared for.



6. RECIPROCATING THE SOCIETY AND ACHIEVING A HARMONIOUS AND WIN-WIN RESULT (Continued)

Volunteers forming a motorcade for students sitting the college entrance examination

In line with the service concept of “being a public bank that serves urban residents”, employees of Panjin Branch offered their own private cars and formed a motorcade for students sitting the examination during the college entrance examination. Stickers were posted on the cars. On 7 and 8 June, they provided free pick-up service for students in Panjin. During the college entrance examination, the volunteered cars were parked on the wayside near test sites. Candidates in need of help could seek help at any time by presenting the examination ticket. The branch’s initiative was highly spoken of by the Panjin Municipal Government and was publicised on the WetChat official account “Wen Ming Panjin”. As the only company that provided this service, it won high praises from the people of Panjin.

In addition, the branch set up awnings in front of test sites during the college entrance examination. Drinking water, power bank and chairs etc. were offered for students and their parents, which further enhanced the branch’s public image.





The global economy continues to recover moderately and has gradually emerged from the shadow of the financial crisis. However, the global pattern is undergoing deep adjustments. Profound changes are taking place in the international economic order. China's economy is transitioning from high-speed to high-quality growth, and is in a critical period of changing the development mode, optimising the economic structure, and switching to new driving forces. In 2018, in line with the spirit of the Central Economic Work Conference, China will continue to adhere to the general principle of maintaining economic stability while achieving progress, implement the new development concept, and coordinate efforts to promote steady growth, carry out reforms, adjust the structure, benefit the people and forestall risks in accordance with the requirements for high-quality development. It will create greater opportunities for economic growth and also bring new opportunities for the development of the financial industry.

The market environment and policy environment for the banking sector have also undergone profound changes. The trend toward financial disintermediation and mixed operations has been further enhanced. Internet and financial technologies are developing at an accelerated pace. The regulatory framework for monetary policies and macro-prudential policies has been continuously improved. Regulatory policies are comprehensive, coordinated, detailed and stringent. In the future, the banking sector will develop in an orderly manner in a competitive environment. Its customer and business structure will continue to be optimised, its risk management and control capabilities enhanced, and management refined, with greater contributions made to serving the real economy.

In line with the strategic objective of building itself into an integrated, diversified and high-quality joint-stock commercial bank with a leading position among peers, the Bank will further accelerate adjusting its business structure and transforming its profit model, increase its asset efficiency and return on investment, continuously improve its corporate governance structure, deepen institutional reforms, strengthen its risk management and control capabilities and talent pool in order to develop into an outstanding corporate brand and comprehensively improve the Bank's core competitiveness.

In the next two to three years, the Bank will actively adapt to the new economic situation, focus on its strategic goals and vision, seize the opportunity to deepen financial reform, continuously optimize the concept and methods of serving the real economy, effectively improve the quality and effectiveness of risk management, and achieve the coordinated development of the Bank and the regional economy.

In order to achieve the above objectives, the Bank will adopt the following measures: 1. Vigorously develop “light capital, light asset” businesses and achieve a steady increase in operating profit with higher asset efficiency and lower capital consumption; 2. Enhance the development of “big retail” business, further leverage the advantages of retail business in light capital and short cycles to comprehensively increase the volume and profitability of retail business; 3. Build a strategic business network that focuses on Northeast China where its headquarters is located and takes the Beijing-Tianjin-Hebei region as its centre for the source of strategic clients and for interbank and investment banking business, and the Yangtze River Delta Region as the centre for financial transactions and business innovation, creating three pillars of growth with complementary advantages; 4. Establish a network of customers that is strong in corporate business and retail banking and covers a wide range of interbank business, build a quality customer base, deepen strategic cooperation with customers and increase customer satisfaction and loyalty; 5. Strengthen capital management capabilities, enhance control on financial expenses, achieve optimal allocation of resources and maximize capital-constrained efficiency, and effectively refine management; 6. Adhere to prudential and sound risk management strategies, and continue to promote the development of a comprehensive risk management system adapted to regulatory requirements, development strategies, and risk characteristics; 7. Enhance information technologies, strengthen the support of information technologies for business development, and introduce more intelligent technologies in operations and management at the Bank; 8. Deepen institutional reforms, improve the corporate governance structure, promote organisational reforms, improve the incentive mechanism and enhance staff training; 9. Vigorously promote corporate culture, actively perform social responsibilities, and improve the Bank’s competitiveness and corporate image.



To the Board of Directors of Shengjing Bank Co., Ltd.

We were engaged by the Board of Directors of Shengjing Bank Co., Ltd. ("the Bank") to provide limited assurance on the 2017 Environmental, Social and Governance Report of the Bank for the year ended 31 December 2017 ("the ESG Report").

1. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank is solely responsible for the preparation and presentation of the 2017 ESG Report, including the information and assertions contained within it, in accordance with the disclosure recommendations of The Stock Exchange of Hong Kong Limited's Guidelines for Environmental, Social and Governance Reporting ("SEHK's Guidelines").

The Board of Directors is also responsible for designing, implementing and maintaining internal control that enables the preparation and presentation of the ESG report that is free from material misstatement, whether due to fraud or error.

2. RESPONSIBILITIES OF KPMG

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our work in accordance with International Standard on Assurance Engagements 3000: *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board.

We have complied with our independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and complied with the applicable requirements of International Standard on Quality Control 1 to maintain a comprehensive system of quality control.

Our independent limited assurance report is made solely to the Bank in accordance with the terms of our engagement. Our work has been undertaken so that we might state to the Board of Directors of the Bank those matters we have been engaged to state in this independent limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than the Bank for our work, for this independent limited assurance report, or for the conclusions we have reached.

3. SUMMARY OF WORK PERFORMED

A limited assurance engagement on an ESG report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the ESG report, and applying analytical and other procedures, as appropriate. Our procedures included:

- Inquiries of management to gain an understanding of the Bank's processes for determining the material issues for the Bank's key stakeholders;
- Interviews with management and relevant staff concerning sustainability development strategy and policies for material issues, and implementation of these across the business;
- Interviews with relevant staff at the Bank responsible for providing the information in the ESG Report;
- A media analysis and an internet search for references to the Bank during the reporting period;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of data into information as presented in the ESG Report;
- Comparing the information presented in the ESG Report to corresponding information in the relevant underlying sources by limited testing to determine whether key information contained in such underlying sources has been included in the ESG Report;
- Reconcile key financial data and figures with the audited financial statements;
- Reading the information presented in the ESG Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Bank.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore, a lower level of assurance is provided. In addition, our work was not undertaken for the purpose of opining on the effectiveness of the Bank's systems and procedures.

4. CONCLUSIONS

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the ESG Report of the Bank for the year ended 31 December 2017 is not prepared, in all material respects, in accordance with the SEHK's Guidelines.

KPMG Huazhen LLP

Beijing
13 July 2018

ESG INDICATOR INDEX



ESG REPORT INDICATOR INDEX

| Subject Areas and Aspects | | General Disclosures | Disclosure location | KPIs | Disclosure location |
|---------------------------|------------------|---|---------------------|--|---|
| A. Environmental | | | | | |
| A1 | Emissions | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Pages 29–31 | A1.1 A1.2 A1.3 A1.4 A1.5 A1.6 | The types of emissions and respective emissions data. Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility). Description of measures to mitigate emissions and results achieved. Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. |
| A2 | Use of resources | Policies on the efficient use of resources, including energy, water and other raw materials. | Pages 29–31 | A2.1 A2.2 A2.3 A2.4 A2.5 | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility). Water consumption in total and intensity (e.g. per unit of production volume per facility). Description of energy use efficiency initiatives and results achieved. Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. |

ESG INDICATOR INDEX (Continued)

| Subject Areas and Aspects | General Disclosures | Disclosure | | Disclosure location |
|--------------------------------------|---|-------------|--|---|
| | | location | KPIs | |
| A3 Environment and Natural Resources | Policies on minimising the issuer's significant impact on the environment and natural resources. | Pages 26–31 | A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Pages 26–31 |
| B. Social | | | | |
| B1 Employment | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Pages 38–39 | B1.1 Total workforce by gender, employment type, age group and geographical region. B1.2 Employee turnover rate by gender, age group and geographical region. | Page 38 Note |
| B2 Health and Safety | Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Pages 38–39 | B2.1 Number and rate of work-related fatalities. B2.2 Lost days due to work injury. B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored. | Pages 38–39 Pages 38–39 Pages 38–39 |
| B3 Development and Training | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Pages 40–41 | B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). B3.2 The average training hours completed per employee by gender and employee category. | Page 40 Page 40 |
| B4 Labour Standards | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Pages 38–39 | B4.1 Description of measures to review employment practices to avoid child and forced labour. B4.2 Description of steps taken to eliminate such practices when discovered. | Page 38 N.A. |
| B5 Supply Chain Management | Policies on managing environmental and social risks of the supply chain. | Page 31 | B5.1 Number of suppliers by geographical region. B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Note Page 31 |

ESG INDICATOR INDEX (Continued)



| Subject Areas and Aspects | General Disclosures | Disclosure | | Disclosure location |
|---------------------------|---|-------------|------|---|
| | | location | KPIs | |
| B6 Product Responsibility | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Pages 32-37 | B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. N.A. |
| | | | B6.2 | Number of products and service related complaints received and how they are dealt with. Pages 32-33 |
| | | | B6.3 | Description of practices relating to observing and protecting intellectual property rights. N.A. |
| | | | B6.4 | Description of quality assurance process and recall procedures. N.A. |
| | | | B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. Pages 34-35 |
| B7 Anti-corruption | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Pages 20-21 | B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. N.A. |
| | | | B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. Pages 20-21 |
| B8 Community Investment | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Pages 48-50 | B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). Pages 48-50 |
| | | | B8.2 | Resources contributed (e.g. money or time) to the focus area. Pages 48-50 |

Note: The Bank plans to disclose information in this regard step by step.

FEEDBACK FROM READERS

FEEDBACK FROM READERS

Thank you for reading the 2017 Environmental, Social and Governance Report of Shengjing Bank. With the aim of enhancing communication and exchanges with stakeholders and improving the Bank's capability for performing social responsibilities, we hope that you can evaluate this report and provide us with your valuable comments and suggestions. You can fill out the below feedback form and choose any of the following ways to send us your opinions.

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Postcode : 110013

1. Which kind of stakeholder are you:

- ☐ Government ☐ Regulator ☐ Shareholder ☐ Customer ☐ Employee
☐ Vendor ☐ Partner ☐ Community ☐ Environment ☐ Others

2. Your general evaluation on this report:

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

3. Your evaluation of Shengjing Bank in performing social responsibilities for economic development:

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

4. Your evaluation of Shengjing Bank in performing social responsibilities for environment:

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

5. Your evaluation of Shengjing Bank in performing social responsibilities for social progress:

- ☐ Poor ☐ Average ☐ Good ☐ Excellent

6. Do you think the information disclosed in this report is complete?

- ☐ No ☐ Average ☐ Yes

7. Do you think the content and typography is suitable for reading?

- ☐ No ☐ Average ☐ Yes

8. Do you have any other comments or suggestions on the report and on the improvement and development of Shengjing Bank for performing social responsibilities?

Thank you for your caring and support for Shengjing Bank!

