



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



2018

Environmental, Social and
Governance Report



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	8
2. Social Responsibility Concepts and Management	9
2.1 Social Responsibility Concepts	9
2.2 Social Responsibility Management and Practices	9
2.3 Social Responsibility Communication	10
2.4 Analysis of Material Issues	12
3. Governance Enhancement and Risk Prevention	13
3.1 Improve Corporate Governance	13
3.2 Enhance Risk Management	15
3.3 Sound and Compliance-Based Operation	17
4. Serve the Economy to Improve People's Livelihood	24
4.1 Empower the Revitalisation of the Economy of Northeast China	24
4.2 Support the Integration of the Beijing-Tianjin-Hebei Region	25
4.3 Support Micro Businesses	26
4.4 Enhance Agriculture-Related Development	26
4.5 Promote the Development of Livelihood-Related Financial Services	30
5. Green Development and Environmental Protection	31
5.1 Implementing Green Credit	31
5.2 Promoting Green Services	31
5.3 Advocating Green Operation	33
6. Reciprocating the Society and Achieving a Harmonious and Win-win Result	37
6.1 Improve Service Quality	37
6.2 Safeguarding Customers' Rights and Interests	39
6.3 Contribution to Staff's Development	43
6.4 Commitment to Social Benefits	51
Prospect for 2019	55
Independent Limited Assurance Report	56
ESG Indicator Index	58
Feedback from readers	61

* 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” or “we”) in fulfilling its social responsibility in economic, social and environmental areas in 2018.

Reporting period

The reporting period is from 1 January 2018 to 31 December 2018.

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 and Insurance 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 2018 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.

Preparer of the report

The Board office, Shengjing Bank

Contact us

The Board office, Shengjing Bank

Address: No. 109, Beizhan Road, Shenhe District, Shenyang, Liaoning Province, P.R.C.

Postal code: 110013

Tel: 024-2253 5633

Fax: 024-2253 5930

E-mail: shengjing@shengjingbank.com.cn



A MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

The year 2018 represents the 40th anniversary of China's reform and opening-up initiative, and a critical year for Shengjing Bank in seeking transformation and development. 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". We regard facilitating economic and social development as our objective and foothold, and capitalise on institutional and decision-making strength to proactively fulfil our social responsibilities as a financial institution. We also proactively respond to the state's critical strategies and decisions and endeavour to improve our service capacity, quality, and efficiency for the real economy.

Preliminary achievement in transformation and development. By the end of 2018, Shengjing Bank had a total asset of RMB985.433 billion, an operating income of RMB15.885 billion, and a net profit of RMB5.126 billion. This is a hard-won prize given the current difficult circumstances. We would not be able to make such achievement had there be no instructions and assistance from governments and regulators at all levels, supports and help from the society, shareholders, and clients, and the wisdom and efforts of every Shengjing Bank employee.

Steadily drive reform and innovation. In response to China's initiative to drive quality growth and with the business philosophy of building a bank founded on the basis of deposit, compliance, talent, and technology, Shengjing Bank adopts a prudentially active business operation strategy, persists in driving transformation and innovation, deepens the institutional reform, and continuously optimises our asset and liability portfolio to pursue high-quality growth and build core driving forces for future development.

Continuously promote financial inclusion. Shengjing better help the public seek a wonderful life, and therefore strives to increase the coverage and inclusiveness of and satisfaction towards our financial services to accommodate the diverse demands arising from consumption upgrades, we continuously exert positive influence and offer funds mainly to the real economy to improve the public well-being, increase our business operation quality and efficiency, and forge a virtuous cycle of regional economic and social development.

Actively participate in public welfare events. The Bank continuously deepens the implementation of the "innovative, coordinated, green, open, and sharing" development philosophy, and strongly advocates green, sustainable, and low-carbon economic development to facilitate ecological construction. It 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 alleviation, 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".

The People's Republic of China will celebrate its 70th anniversary in 2019, and it will also witness the commencement of another three-year strategic development plan of Shengjing Bank. We will stick to this plan and leverage transformation opportunities to further consolidate our business ground and improve our development quality and efficiency through geographic business deployment with support from risk control and fintech. The Bank will serve the real economy whole-heartedly and make every effort to develop into a leading joint-stock commercial bank with prudent business operation, premium assets, and outstanding performance, thereby offering benefits to our shareholders and the society!

Qiu Huofa

Chairman of the Board of Directors
Shengjing Bank

1. ABOUT US

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 and Insurance Regulatory Commission (CBIRC) 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).

We adopt the business philosophy of building a bank founded on the basis of deposit, compliance, talent, and technology, implement the business strategy of enhancing business management and market image building, advocate the business model that features light capital and light assets, and position ourselves as a bank that serves the local economy, small and micro businesses, as well as urban and rural residents. We have achieved coordinated growth of capital, scale, and return with forward-looking strategic positioning, marketised systems and mechanisms, unique business systems, and prudent operations.

Currently, Shengjing Bank has established over 200 business units including 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. The “One Entity Two Centres” organisation structure enjoys a competitive edge among its peers. Shengjing Bank has set up various professional business units, such as Shengjing Bank Consumer Finance Co., Ltd., Credit Card Centre, Capital Operation Centre, and Financial Service Centre for Small Businesses to address the needs of enterprises, institutions, and individual clients for comprehensive financial services.

Depending on its good market image, outstanding management capability, and extraordinary business performance, the Bank has won great reputation from the market. It has been ranked 191st jointly by The Banker, a UK magazine, and Brand Finance, a famous brand valuer in their “Banking 500 2018”, 23rd among Chinese banks, and 1st among banks in Northeast China. It has also received honorary titles including “Chinese Enterprises Top 500”, “Urban Commercial Bank with Top Regional Competitiveness in China”, “Core Dealer in the Interbank RMB Market”, “Outstanding Visa Credit Card Partner of 2018”, etc. We have been consecutively awarded the AAA rating from 2016 to 2018 by China Lianhe Credit Rating Co., Ltd.



1. ABOUT US (Continued)

Shengjing Bank's new Shengjing Bank Wealth Management product portfolio covers the five major product lines including transaction banking, cash management, asset management, investment banking, and financial market to embed financial services into the entire industrial chain and all business scenarios of enterprises that involve procurement, R&D, production, logistics, and sales. This helps build a one-stop corporate treasury management service solution and offer quality and efficient E2E services to enterprise clients.

The Bank has been actively promoting the implementation of the Big Retail Banking strategy, developing Shengjing Bank Wealth Management products for retail banking, improving the capacity of "online + offline" collaborative marketing across scenarios and channels, and driving the establishment of a service system that focuses on client payment and settlement, scenario-based application, consumption investment, and asset management, so as to continuously offer better the more convenient financial services to retail clients. We has also launched the Caifutong and Chuangli smart savings deposit products and released the "Red Rose" wealth management product series such as Zhiying, Wenying and Shengying to meet the needs of individual clients for preserving the value of and adding value to their wealth and assets.

Shengjing Bank actively implements the concept of inclusive finance. It has established a "Financial Service Centre for Small Businesses", improved its 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, and annually reviewed loans. They can meet the financing needs of small and micro businesses of various types at different stages of development.

Looking forward, Shengjing Bank will proactively drive strategic transformation, reform, and innovation, concentrate on serving the real economy and improving people's livelihood, and allocate more financial resources to areas critical to economic and social development, so as to make greater contribution to a well-off society!

1. ABOUT US (Continued)

1.2 HONOURS AND AWARDS

Honours and Awards	Awarders
191st of the “Banking 500 2018” rankings	<i>The Banker</i> and Brand Finance
Top 100 Hong Kong-Listed Companies (comprehensive strength)	Top 100 Hong Kong Listed Companies
Top 10 Small Enterprises	Research Centre Finet
2018 Outstanding Innovative Underwriter Award of China Development Bank	China Development Bank
2018 Outstanding Financial Bond Issuer Award Top 100 Settlement – Excellent Proprietary Trader	China Central Depository & Clearing Co., Ltd.
Core Dealer in the Interbank RMB Market of 2018	National Interbank Funding Centre
Outstanding Issuer of Inter-Bank Certificate of Deposit of 2018	
Best Comprehensive Membership, Top Forward Swap Membership, and Best Foreign Currency Lending Membership in the Interbank Foreign Exchange Market of 2018	China Foreign Exchange Trade System
Advanced Unit in Propagating Financial Knowledge of 2018	Liaoning Banking and Insurance Regulatory Bureau
Advanced Unit in “One Thousand Small and Micro Businesses Support Program” of Liaoning of 2018	Liaoning Banking Association
Outstanding Team in Liaoning Financial Sector Work Competition of 2018	Liaoning Working Committee of Chinese Financial Workers’ Union
Outstanding Operation and Maintenance Innovation Contributor Award of 2018	FCMAG
Best System Operation Quality Award of 2018	Liaoning Branch of China UnionPay
2018 China’s Best Employer “Top 10 Best Employers in Shenyang”	Peking University Social Research Centre Zhaopin.com
Liaoning Customer Satisfaction Enterprises Award of 2018	Liaoning Association of Quality
Outstanding Partner Award of 2018	Visa Card Association

1. ABOUT US (Continued)

1.3 KPIS

Type of KPI	Name of KPI	Unit	2018	2017
Economic KPIs	Operating income	RMB100 million	158.85	132.50
	Net profit	RMB100 million	51.26	75.74
	Basic earnings per share	RMB	0.88	1.31
	Total assets	RMB100 million	9,854.33	10,306.17
	Total deposits	RMB100 million	5,141.67	4,735.81
	Total loans	RMB100 million	3,765.97	2,795.13
	Return on average assets	%	0.51	0.78
	Return on equity	%	9.38	15.36
	Non-performing loan ratio	%	1.71	1.49
	Allowance to non-performing loan	%	160.81	186.02
	Capital adequacy ratio	%	11.86	12.85
Social KPIs	Total taxes paid	RMB100 million	22.49	34.12
	Total charitable fund	RMB10,000	336.40	238.07
	Balance of loans to small and micro businesses	RMB100 million	1,470.93	1,136.74
	Social contribution per share*	RMB	6.87	7.47
	Total number of employees	Person	5,434	5,239
	Proportion of female employees	%	56.74	56.82
Environmental KPIs	Number of trainings per person per year	Number of times	61	64
	Balance of green credit	RMB100 million	73.23	75.25
	E-banking replacement ratio	%	64	61
	Head office power consumption	10,000 kWhs	301.8	274.6
	Head office water consumption	Ton	58,332	44,966
	Head office natural gas consumption	M ³	17,143	18,451
	Head office paper consumption	Million sheets	2.78	2.23
	Head office oil consumption	L	110,720	177,738

* 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.

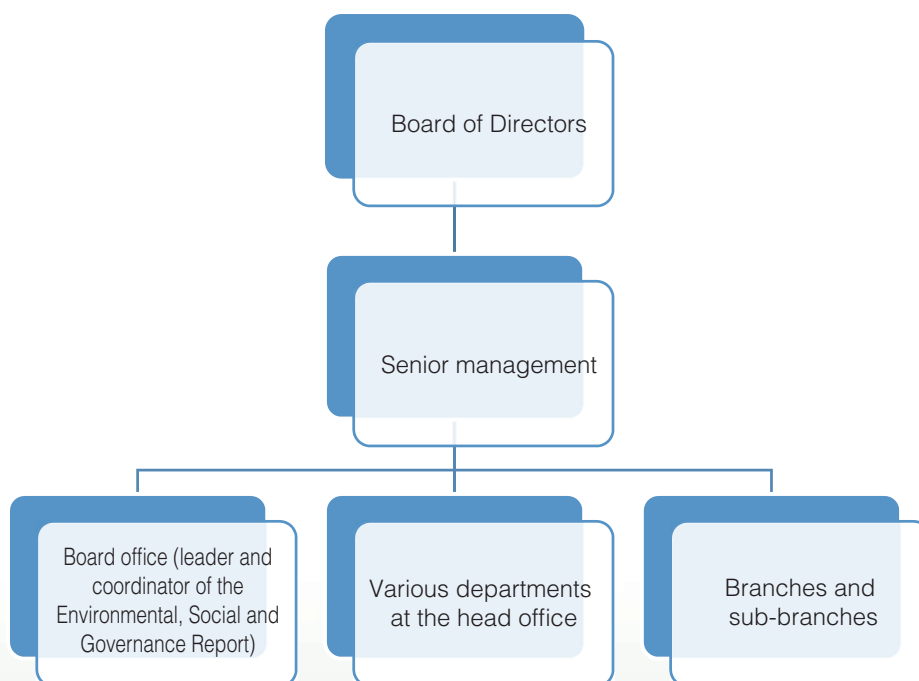
2. SOCIAL RESPONSIBILITY CONCEPTS AND MANAGEMENT

2.1 SOCIAL RESPONSIBILITY CONCEPTS

- Business philosophy: Building a bank founded on the basis of deposit, compliance, talent, and technology.
- 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.

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">• Respond to state policies• Serve the real economy• Expand financial inclusion	<ul style="list-style-type: none">• Policy documentation and guidelines• Reports on specific topics• 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 procedures• 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.

Identification

Analysing the expectations and requirements of stakeholders, considering the Bank's strategic development focuses, and referencing industry practices and ESG reporting guidelines.

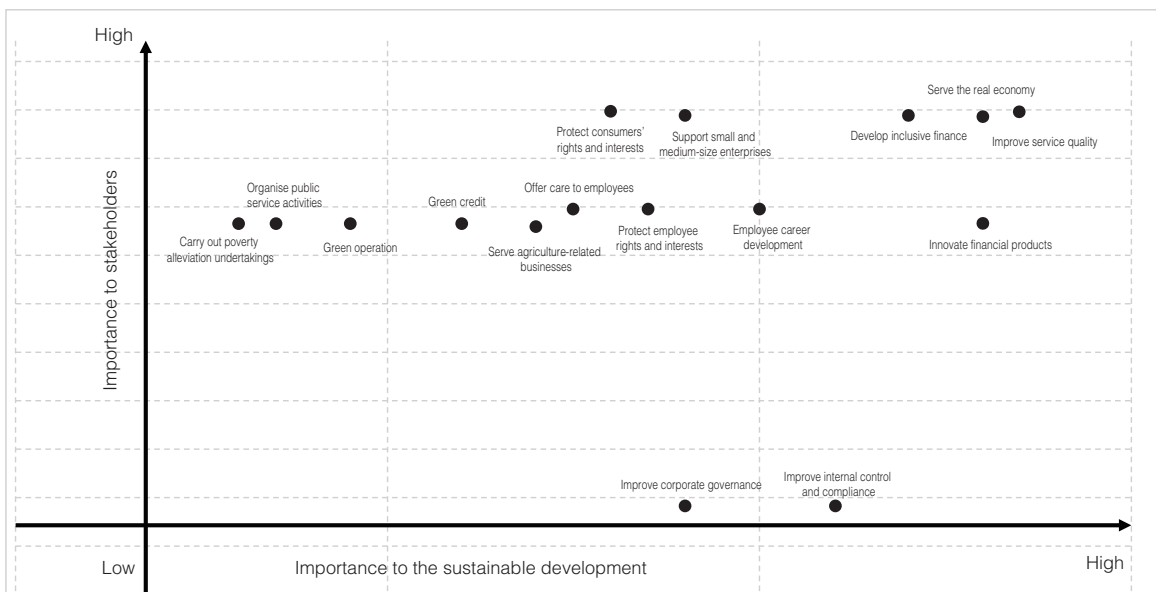
Evaluation

Distributing surveys to stakeholders, employees and other stakeholders and involving them to rate the importance of selected issues (with 220 valid surveys recovered).

Selection

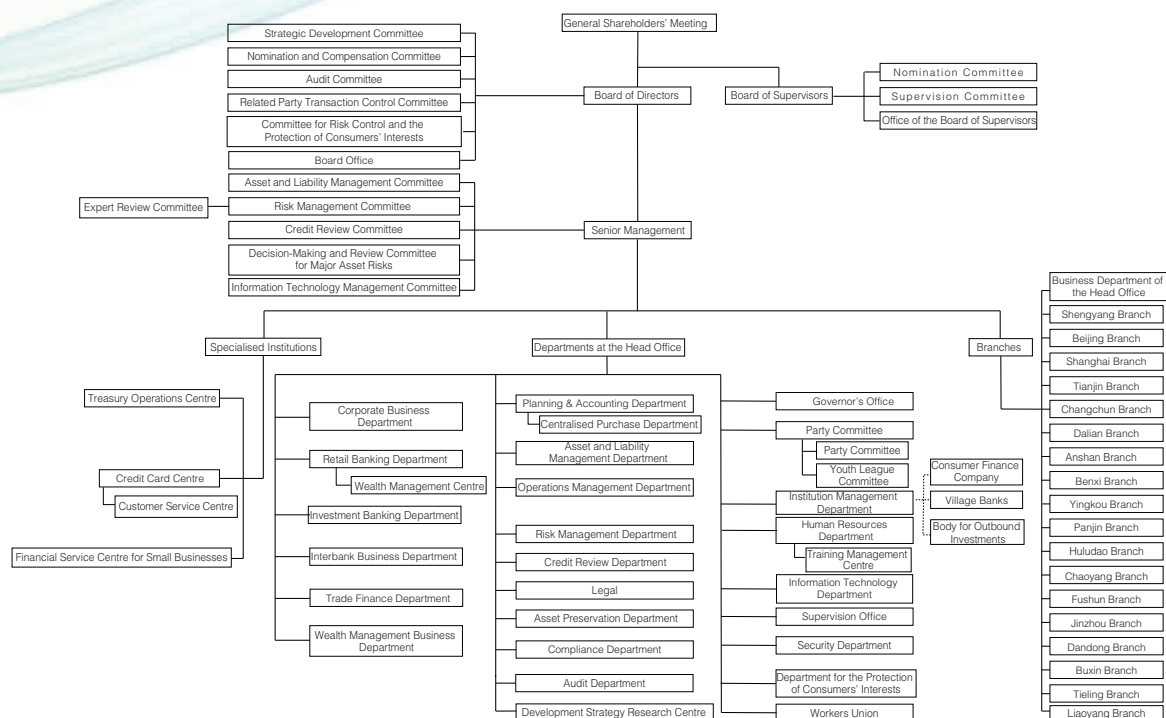
Comprehensively evaluating the opinions of the Bank's management and stakeholders on the importance of the issues, building a materiality matrix and deciding on vitally important issues to be disclosed.

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.

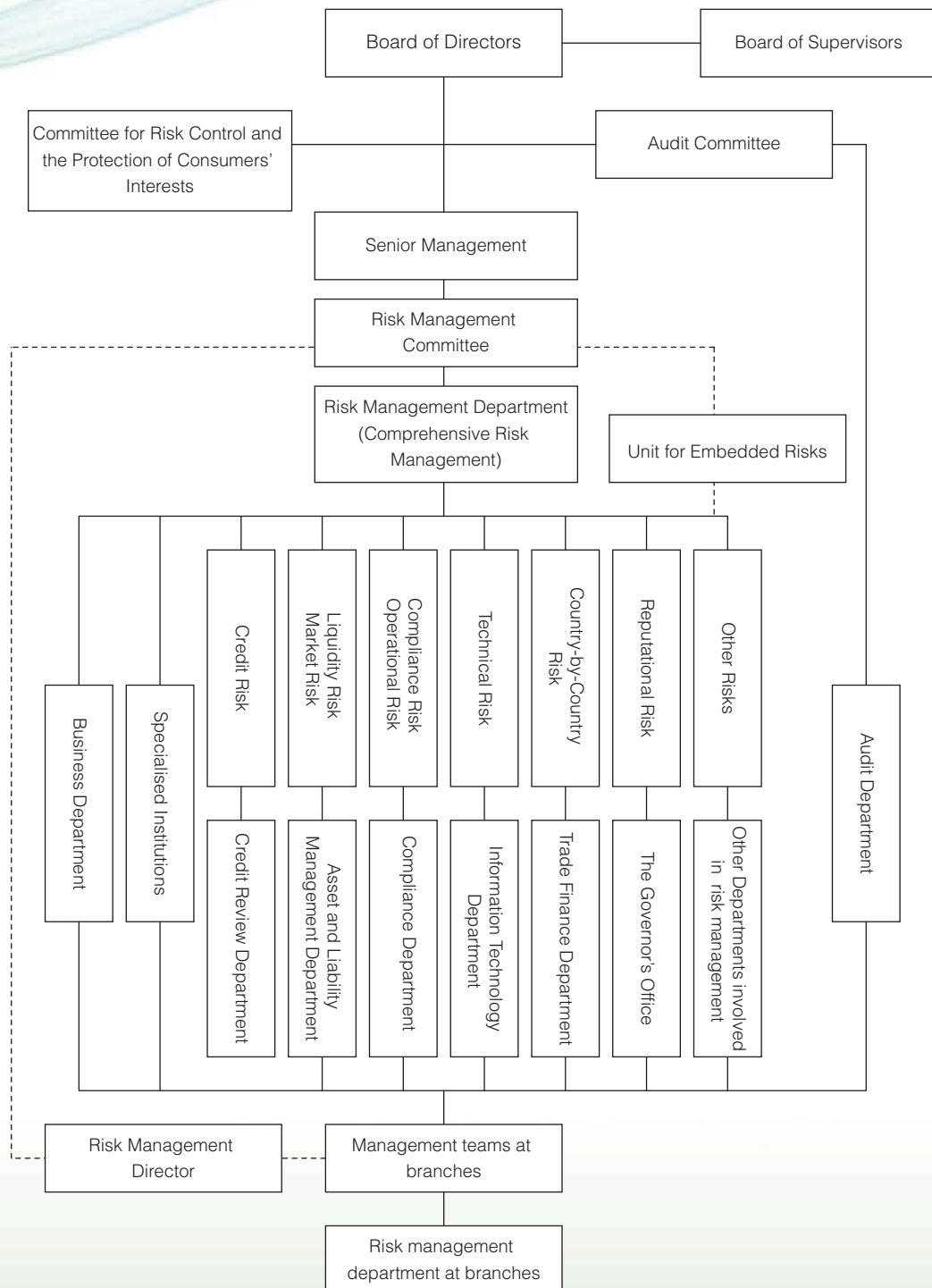
During the reporting period, the Bank held three General Meetings of Shareholders which endorsed 32 resolutions and heard two proceedings covering appointment of directors and supervisors, issuance of financial bonds, revision of rules of procedures for the board of directors, revision of director and supervisor allowance policies, general authorisation for issuance of new shares, etc. The meetings were held in accordance with relevant legal procedures.

As of 31 December 2018, the Bank held 7 meetings of the Board of Directors (including written resolutions), which reviewed and approved 47 proposals and heard 3 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.

As of 31 December 2018, the Board of Supervisors held 7 meetings in total and reviewed and approved 42 proposals. As of the disclosure date of this Report, the Board of Supervisors had 9 members, including 3 shareholder representatives, 3 employee representatives, 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 attaches great importance to risk management. It adheres to its prudent risk management strategy and continuously improves its comprehensive risk management system that covers all employees and procedures. It combines the primary mission of preventing risks, adjusting structures, and ensuring quality with its business strategy of enhancing business management and market image building in an organic manner to strength risk management from multiple dimensions including institution, region, industry, client, and product, with an aim to ensure stable and robust bank-wide business operations. In 2018, the Bank carried out under the leadership of its head office the work to thoroughly reshape its risk management system and establish bank-wide two-way risk management within and across the head office and branch levels under the guidelines of “verticality, independence, coordination, and effectiveness”. On the head office level, the Bank separated the Credit Review Department from the Risk Management Department and fundamentally shifted to comprehensive management of credit risks; on the branch level, the Bank dispatched risk directors to all its 19 branches and set up risk management departments of the branches to implement a collaborative and orderly risk management and transfer system with clear duties and responsibilities.

The Bank stuck to the principle of “policy first” and carried out regulated risk management policy formulation before setting up the comprehensive risk management system. In 2018, it developed *Comprehensive Risk Management Guidelines of Shengjing Bank V1.0*, *Measures of Shengjing Bank for Comprehensive Risk Management*, and other framework risk management policies, and formulated and improved over 20 rules on comprehensive risk management, special risk management, and compliance management. These policies and rules represent systematic arrangements regarding risk management objectives, management systems, procedures, risk appetite, technological tools, talent development, and other aspects, which support the implementation of bank-wide risk management.

Shengjing Bank has been improving risk management procedures and policy promotion mechanisms. It has improved procedures to promote business risk management policies, clarified risk identification responsibilities and relevant basic jobs, set up and optimised systematic risk identification, control, and handling mechanisms, regularly held risk management and compliance management meetings, conveyed the head office’s risk management policies, issued guidelines on risk management, credit granting, authorisation, internal audit, and compliance, so as to instruct bank-wide risk management practices. Through the risk management exchange mechanism between the head office and branches, the Bank interpreted and communicated risk management policies of the head office and obtain feedback from frontline branches. It proactively planned the establishment of risk management information system, increased IT support for risk management, continuously implemented key client and key project risk monitoring and assessment and released early warning on a timely basis to enhance the Bank’s capabilities for withstanding risks. By effectively monitoring and control over various types of risk, Shengjing Bank implemented risk management in an earlier stage. It set up and improved risk monitoring and warning mechanisms at all levels of institutions and business departments based on key risk indicators to obtain various risk information and keep increasing risk control timeliness and effectiveness and enhancing risk prevention, prevention, and transfer, so as to effectively address different types of risk.

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

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 and effectiveness of the internal control system. The senior management of the Bank is responsible 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 Bank has orchestrated a clear and mutually checked internal control management system. Its business management departments and business operation entities at all levels constitute the "first line of defence in internal control" and are responsible for implementing internal control. They are charged with formulating and implementing their respective internal control plans, identifying and evaluating various types of risks, conducting business operations in compliance with the operating rules, and meeting various internal control requirements. The Bank's Compliance Department and various risk management departments 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, carrying out independent inspection, assessing the internal control by the business departments at the first line of defence, providing feedback on relevant business lines, and offering suggestions on business and internal control development. The Bank's Audit Department constitutes the "third line defence in internal control" and is responsible for performing the internal control supervision functions, auditing the adequacy and effectiveness of the Bank's internal control, reporting audit findings to the Board of Directors on a timely basis, and supervising the implementation of remedial actions.



3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

Compliance checks

The Bank established a compliance check mechanism, 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 checks on operating management behaviours. Within the reporting period, the Bank continuously addressed market disorder in accordance with the requirements set out in the *Notice of the China Banking Regulatory Commission on Further Rectifying Disorder in the Banking Industry (Yin Jian Fa [2018] No. 4)*. According to the 22 requirements concerning 8 market disorder problems, it carried out in-depth self-inspection that covers all outlets, internal control policies, and business products.

Internal audit

Shengjing Bank has set up, based on the *Guidelines on the Internal Audit of Banking Financial Institutions* issued by the CBRC, a vertical management and audit system directly implemented by the head office under the leadership of the Board of Directors, established comprehensive internal audit regulations and procedures to instruct internal audit work with clear definition of principles, duties, authorisation, personnel management, processes, and responsibilities. The Bank's internal audit personnel strictly follow its internal audit regulations and procedures to conduct audits, offer opinions and suggestions on audit findings, and carry out follow-up audits to ensure that audit conclusions are effectively implemented.

Based on risk-oriented principles, the Bank's Audit Department determined the key focuses of internal audit, developed an internal audit plan at the beginning of the year, organised implementation after the plan was reviewed and approved by the Audit Committee under the Board of Directors, and regularly reported audit achievements to the committee. The internal audit covered the internal control and risk management processes for all the business of the Bank. Based on the internal audit plan, the Audit Department continuously carried out general audits and special audits and strengthened audits on critical business areas and processes. In addition, the Bank has adopted the following measures to ensure the effective implementation of the internal audit function: First, it continued to improve the internal audit system and strengthen the guiding effect of policies; second, it continued to optimize the audit workflow and enhance quality control for internal audits to improve internal audit quality and results; third, it increased the internal audit efficiency through close collaboration between on-site and off-site audits.

The Audit Department fully implemented its role as the "third line defence" during internal control supervision. It performed the internal control supervision functions, monitoring and evaluating the adequacy and effectiveness of the Bank's internal control, and was granted the right to directly report audit findings and internal control weaknesses to the Board of Directors and the Audit Committee under it, and to supervise the implementation of remedial actions, thus offering important support to stable and robust business operations.

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 Compliance Manual*, *Shengjing Bank Employee Code of Conduct (Trial)*, *Shengjing Bank Prohibited Employee Behaviours (Trial)*, and *Measures of Shengjing Bank for Punishing Violations by Employees (Trial)* to strengthen institutional restraints and guidance. The Bank combined focused investigations on employee behaviours with day-to-day training, made full use of the workers' representatives conferences, democratic life meetings, and employee seminars to organise employees to participate in educational campaigns on the compliance-based management philosophy, laws and regulations, professional ethics, and cases at regular or irregular intervals, and 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 daily work.

Anti-corruption policy

Shengjing Bank's leadership attaches great importance to improving Party conduct and moral integrity and battling corruption, and focuses attention to the prevention of critical issues such as bribery, extortion, and fraud. Following the President Xi Jinping's thought on socialism with Chinese characteristics in the new era, the Bank concentrated comprehensive efforts of strict Party and bank governance on key business operations duties and signed the *Party Conduct and Moral Integrity Responsibility Contract* with all departments and branches of the head office for tiered supervision and implementation, so as to establish a related management system and make work arrangements led by its Party Committee, coordinated by its Discipline Inspection Committee, and jointly implemented by its departments and branches. It seriously promoted and abided by China's laws, regulations, and financial policies, advocated the business philosophy of compliance-based bank development, exhausted efforts to drive anti-corruption propaganda and warning education, and persistently reinforced work ethics and self-discipline, so as to strongly crack down the "four forms of decadence", effectively prevent bribery, extortion, fraud, and other delinquent behaviours, and actively build a clean and healthy development environment, offering a firm ground for sustainable and robust growth of Shengjing Bank. During the reporting period, the Bank and its employees were not found engaged in any corruption litigation cases.

Preventive measures: First, it enhanced propaganda of positive cases and performed education with negative examples. Closely targeting its banking staff and business management personnel at all levels, the Bank stepped up promotion of its business philosophy and vision, laws and regulations, integrity, etc., and focused on education with typical cases to constantly consolidate anti-corruption efforts.



3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

Second, the Bank performed extensive work ethics and self-discipline supervision. It held special anti-corruption campaigns to address issues such as using the Bank's vehicles for personal purposes, embezzlement, and ghost payroll schemes. It introduced extensive work ethics and self-discipline supervision on decisions concerning material financial matters, bulk procurement, important personnel appointment and removal arrangements, use of large amounts of funds, etc. It also revised its measures for administration of centralized procurement to enable early detection and prevention of even minor issues to ensure legal use of power.

Third, the Bank conducted thorough check of abnormal employee behaviours. As required by regulators, it thoroughly checked all its branches and staff on a regular basis for abnormal employee behaviours, market interruption behaviours, gang activity clues, and illegal financial activities, and adopted a zero-tolerance attitude to fully detect and prevent unlawful acts such as illegal fundraising, illegal lending, and financial fraud.

Four, the Bank continued to seek accountability. It seriously seek accountability when spotting violations during regulatory inspections or self inspections, an effort to further urge all employees to ensure compliance, diligently perform duties, prevent corruption, and drive legal, compliant, and prudent business operations.

Reporting procedures: The Bank encourages its employees to report illegal activities such as bribery, extortion, and fraud using the following procedures specified by the leadership of the head office:

1. An ordinary case should be reported level by level in accordance with administrative authorisation and organisational structure, while a special case may be reported by going over heads. The basic procedure is as follows:

Sub-branch employee → Sub-branch department → Sub-branch leadership → Branch department → Branch leadership → Head office department → Head office leader in charge → head office principal leader

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

2. Letters for reporting violations may be addressed to:

Unit: Discipline Inspection and Supervision Office of Shengjing Bank

Email: sjyh_jcs@163.com

Tel: 024-22535767

Address: Room 309, Beizhan Road No. 109, Shenhe District, Shenyang City,
Liaoning Province, P.R.C.

Postcode: 110013

3. According to the Shengjing Bank Employee Reward and Punishment Ordinance, the Bank shall offer timely rewards to employees who battle illegal or criminal activities to protect public properties, prevent accidents, or save the Bank from significant loss of interests.

Anti-money laundering management

The Bank strictly complied with China's anti-money laundering (AML) laws and regulations, solidly performed its statutory duties and social responsibilities concerning AML, and proactively implemented various relevant regulatory requirements. It stuck to the "risk-oriented" AML principle, covered the AML risk with its comprehensive risk management system, continuously optimised its AML monitoring system, improved suspected transactions monitoring indicators, strictly enforced policies on identifying clients and keeping records of client identities and transactions, complied with the AML work confidentiality policy, and enhanced management of the watch list for AML and anti-terrorist financing (ATF). It also regularly performed AML performance inspection and appraisal and intensified special training to keep adding value to suspected transactions reports and improving AML and ATF management capabilities. In addition, the Bank actively launched AML propaganda campaigns, advanced combats against mafia-like activities, further raised the public awareness of AML, boosted the public's confidence in fighting gangsters, and stepped up prevention and reduction of AML risks, so as to create a social atmosphere favourable to AML with the public. From September 1st through 30th, 2018, the Bank took the opportunity of celebrating the "40th Anniversary of China's Reform and Opening-Up" and the "70th Anniversary of the Birth of People's Bank of China" to organise a large-scale extensive AML propaganda. It aimed to help implement Three-Anti mechanism, promote the basic knowledge about the Three-Anti campaign, let the public better understand and meet the Three-Anti requirements, and further implement the spirit of the Nineteenth CPC National Congress, and demonstrate AML achievements. During the event, as many as 5,000 people participated in

3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

helping with propaganda, a total of 42,000 copies of publications were handed out, over 15,000 enquiries were handled, 484 propaganda banners were shown to the public, 148 poster panels were made, 43 large-scale advertising activities were help, 29 special events were organised, and up to 420,000 audiences were addressed. These effective propaganda measures further raised the public's awareness of the prevention and crackdown of money laundering, enhance their knowledge about money laundering and terrorist financing, and built joint efforts with the society to battle money laundering.



3. GOVERNANCE ENHANCEMENT AND RISK PREVENTION (Continued)

Intellectual property protection

The Bank carried 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, employed intellectual property rights to support and protect business operations, improved the intellectual property rights management system, and enhanced the Bank's core competitiveness. In order to prevent violations of intelligent property rights, the Bank issued legal opinions about enhancing intellectual property protection, notices on regulating authorisation of fonts for publications, etc., and performed inspection before external propaganda. While endeavouring to do a good job of applying for, managing and protecting its own intellectual property rights, the Bank respected the legal rights of others and guarded 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

As a bank in Northeast China with a strong business position there, it adopted the business philosophy of building a bank founded on the basis of deposit, compliance, talent, and technology, implemented the business strategy of enhancing business management and market image building, boosted returns through structural adjustment, risk control, and lean management, and continuously optimised its asset and liability portfolio, business structure, revenue structure, and client structure, thereby complying with the regulatory requirements regarding primary business indicators and accelerating its transition to the new stage of high-quality growth. The Bank followed market demands, focused on mainstream clients in major sectors and premium clients in promising industries, and actively develop personalised, differentiated, and customised financial products. Shengjing Bank's new Shengjing Bank Wealth Management product portfolio embeds financial services into the entire industrial chain and all business scenarios of enterprises that involve procurement, R&D, production, logistics, and sales. It has developed a business system that employs the "systematic marketing and sales at the frontline + product follow-up at the front office + assurance and support at the back office" to offer clients with tiered and diversified professional services. It kept in mind the objective to "serve the local economy, serve small and micro businesses, and serve urban and rural residents", and perpetually adhere to the original mission, improve its capabilities and fulfil its social responsibility.

Case:

There is a group in Northeast which is a leading enterprise in the local economy with thousands of employees and plants covering millions of square meters. The group has developed into a manufacturer engaged in the entire industrial chain that involves oil refineries, fine chemicals, petrochemicals trading, and logistics.

The group is the Bank's premium client that falls into the "mainstream clients in major sectors and premium clients in promising industries" category. In 2018, the Bank signed a strategic partnership agreement with the group. While deepening the implementation of the "light capital and light assets" strategy and the requirement for localised management of strategic clients the Bank leveraged trade financing to tailor a comprehensive financial service solution for the group. The group and the Bank have been properly performing their obligations since entering the agreement and the partnership is stable.

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

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

While developing the annual work plan for 2018, the Bank emphasized its strong support for the key national development strategies including the Belt and Road initiative, the Beijing-Tianjin-Hebei coordinated development plan, and the Yangtze River Economic Belt. It fully capitalised on its advantages of having branches in critical areas including Tianjin, Beijing, and Shanghai to increase the credit support for key projects through effective joint marketing by branches in and outside the Liaoning province.

First, the Bank added product functions and improved service capabilities. The Bank took the national strategy of Beijing-Tianjin-Hebei coordinated development as a major opportunity to market its services, and identified the needs for financial services, including project financing, equity financing, M&A and restructuring, investment-loan interconnection, bonds underwriting, financial advisory, and financial leasing, which arose in the course of infrastructure construction, easing of the capital's functions, transfer of industrial resources, restructuring and M&As, and ecological and environmental governance in Beijing, Tianjin and Hebei. In response to innovative businesses, the head office continued to speed up its R&D and cooperated with branches to implement product and function marketing. In addition, the Bank continuously improved its service capabilities and developed specialty products that meet the individual needs of clients. Currently, it is developing its cross-border e-commerce services and cross-border financial value-added services, so as to build a comprehensive financial service platform that integrates trade settlement and financing, cross-border e-commerce, cash management, and overseas services.

Second, the Bank drove cooperation with governments. 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 area to explore diverse modes of cooperation and establish close cooperative relations.

Third, the Bank significantly supported cross-border investment. As the Belt and Road initiative advances, the Bank actively performs marketing among large and medium-sized clients. In order to help them go global, it offered a series of financial services covering remittance, settlement, financing, and financial advisory, and will continue to issue a series of policies and measures during business development to optimise the business policy system and further regulate, standardise, and facilitate its services for the real economy.



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

4.3 SUPPORT MICRO BUSINESSES

Depending on the different needs of small and micro business for financing services, the Bank strongly promoted its special “Kuai Kuai Dai” product to drive performance through product marketing. It encouraged its branches to demand personalised products from the head office based on regional characteristics, market conditions, client groups, regulatory requirements, and peers' practices, helping the Bank optimise the product portfolio for small and micro businesses. It required its branches to launch robust chain marketing targeting their local advantageous industries, local promising enterprises, as well as the upstream and downstream enterprises of the Bank's strategic clients.

The Bank acted cautiously to prevent various risks and strictly control credit risks. It strengthened the management of existing loans, set up a risk early warning mechanism, and handled potential risks and issues found in post-lending inspections in a timely manner. For new loans, the Bank strictly followed the business standard and took effective guarantee measures based on the principle of coordination between business growth and risk management, so as to effectively prevent credit risks caused by borrowers.

4.4 ENHANCE AGRICULTURE-RELATED DEVELOPMENT

(1) Mechanism reform of banking institutions involved in agriculture

In order to implement the spirit of advancing financial inclusion, further optimise the financial service system for rural areas, accelerate the development of professional local private rural banks, and improve financial services targeting agriculture, rural areas and farmers, the Bank took steady steps to develop rural banks, which positively drove the financial system in rural areas and improved the county-level investment environment.

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

(2) Financial service mechanism and product innovation

1. *Innovative working mindset and clear development plan*

First, the Bank clarified its market positioning. It stepped up efforts to implement the policy on serving agriculture, rural areas and farmers, increase business coverage, continuously optimise the agriculture-related support mechanism, and explore and innovate management systems, and capitalise on its comparative advantage attributable to more streamlined review procedures and flexible business operation mechanisms to better support county-level economies and facilitate rural reconstruction and agricultural industrialization upgrade.

Second, the Bank put forward a development roadmap. It divided the business related to agriculture, rural areas and farmers into two segments, with one segment addressing the needs for developing special agriculture and the other addressing the needs for developing county-level economies. It would also differentiate that business to create a new landscape for the development of agriculture, rural areas and farmers.

2. *Implementing the Three Premium policy and enhancing services*

The Bank optimised its financial service products, and selected, based on regional economic development features, client types, and fund demand types, agriculture-related enterprises with trading business, sound credit, and stable business operations to build the special service brand "Kuai Kuai Dai" and address demands of agriculture, rural areas and farmers for funds.



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

(3) Support for supply-side structural reform for agriculture

1. The Bank offered strong support to the development of agriculture-related enterprises. It appropriately increased the line of credit for enterprises in rural areas in line with the characteristics of their demands for funds and made loans more accessible to such enterprises. The Bank continuously increased the efficiency of reviewing, approving and delivering loans, and maintained a “green channel” for agriculture-related enterprises. It also continuously add marketing channels that target such enterprises, and delivered services to clients through various channels including community outlets, mobile banking, TV banking, and online banking. By optimising and improving standardised products, it comprehensively increased the capability to provide financial services for agriculture-related enterprises.
2. The Bank better aligned credit products with production cycles of agriculture-related enterprises. Based on the business characteristics, asset sizes, business cycles, and risk profiles of agriculture-related enterprises, the Bank appropriately set the term of working capital loans for enterprises, effectively satisfying the their seasonal or occasional needs for funds. For the clients who had maintained a lending partnership with the Bank for over three years, achieved stable business operations, and properly fulfill their obligations, the Bank encouraged them to apply for the revolving loan, which requires approval only once, is accessible whenever needed, and can be repaid using collected payment. This aligns loan terms with production and business cycles of the enterprises, effectively addressing their demands for funds.

Case:

Win-win partnership with the aquaculture industry in central Liaoning

The Huludao branch of Shengjing Bank granted personal business loans in batches to individuals participating in the aquaculture industry in central Liaoning, an effort to step up support for premium aquaculture businesses in the area and its neighbouring areas. Central Liaoning is an area that plays a significant role in freshwater fishery in the province. Most residents there have been engaged in the fishery industry for years and have accumulated rich fishery experience and expertise. They mainly participate in the farming of carps and grass carps, and sell all marketable fish at the Qian Dang Bao freshwater fish wholesale market in Xinmin city, where the fish is shipped to markets across China. The supply of marketable fish there never exceeds the demand. Generally, fish farmers start farming fish fries in April or May and sell the first batch in July or August in the same year and another batch in October. Combination of the two types of fish aims to shorten the turnover time and prevent full occupation of operating capital.

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

Through careful analysis, the branch's lending staff found that, in the past, feed suppliers often offered feed to fisher farmers on credit and collected payment after the farmers sold their fish, along with a significant amount of interest. This not only resulted in the occupation of some working capital of the feed suppliers, but also reduced the net profits of the fish farmers.

According to this specific situation and based on the sound partnership between the Bank and the feed suppliers, the branch introduced the "1+1+1+1=Joint benefits" loan marketing mode, which aims to achieve win-win results by combining feed suppliers, bank credit, jointly selected target clients, loans, and other comprehensive marketing measures. In this mode, a feed supplier should provide a list of target clients of loans and a 10% deposit for each loan, subscribe to the fund sweeping service, and help the fish farmers subscribe to the mobile banking and online banking services. The Bank then offers funds to the fish farmers for purchasing feed at the early stage of farming to reduce their interest burden and alleviate their repayment pressure. The fish farmers pay the feed suppliers as scheduled, which frees up some working capital of the suppliers.





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

4.5 PROMOTE THE DEVELOPMENT OF LIVELIHOOD-RELATED FINANCIAL SERVICES

The Bank attaches great importance to the implementation of the concept of inclusive finance to help people pursuing better lives. 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. It actively acted as an agent for payment services and provided 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 Liaoning and Shenyang. Through financial inclusion and business function innovation, the Bank developed the "internet+consumption" business model and introduced the "e Loans" internet consumer finance product series that includes the "Xin Xiang Dao", "Ju Xiang Dai", "You Xiang Dai" and "Che Xiang Dai" products, which were designed and marketed based more on residents' demands to improve the public's lives through quality financial services.

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION

5.1 IMPLEMENTING GREEN CREDIT

With significant attention from its leadership to green credit management, the Bank continuously improved the long-term green credit development mechanism, systematically drove the establishment of the green credit system, gradually increased the capability to deliver green financial services, effectively promoted coordinated development of the economy, society, resources, and environment, and endeavoured to enhance its competitiveness and business operation expertise for development model transition.

While implementing effective risk control in 2018, the Bank continued to pursue the green credit business and invested more efforts to develop a green, circular, and low-carbon economy, pragmatically improve its capability to grant green credit. It also persistently sought mechanism, system, and product innovation in areas such as industrial upgrade, energy conservation and emission reduction, low-carbon environmental protection, and green economy for regional pillar sectors, key sectors and emerging sectors of strategic importance, and adjusted the industrial structure, so as to promote a green economy with premium financial services. As of December 2018, the Bank's green loan balance totalled RMB7.323 billion, significantly driving the development of the green, circular, and low-carbon economy in the region.

5.2 PROMOTING GREEN SERVICES

The Bank has actively promoted innovation in e-banking business. In 2018, the Bank continuously upgraded functions and improved procedures for its mobile banking and online banking services, launched Huawei Pay, Samsung Pay, and other payment functions, and enabled binding between its debit and credit cards and Huawei and Samsung mobile phones for making quick payments, which further expanded mobile payment capabilities and enhanced customer experience of mobile applications. In the whole year, more than 253 service functions were optimised, and the number of e-banking clients increased by 706,400 or 55% year on year. The Bank has actively promoted the building of intelligent outlets by deploying intelligent counters, high-speed CRSs, interactive desktop devices, and other innovative intelligent devices. These devices offer convenience services such as quick card generation, e-banking service subscription, bank card activation, bank statement printing, and deposit and withdrawal of large amounts of cash, further enhancing the self-service capabilities, making business outlets smarter, and optimising services at customer service outlets for better customer experiences. In addition, the Bank has set up more 24-hour self-service outlets and clarified criteria on device configuration, operation management, and brand image building for customer service outlets to better the self-service devices and strengthen the brand image of the Bank.





5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

Self-service Banking

The Bank deployed more self-service devices, adjusted the proportion of the devices reasonably and enhanced the shunting effect of the self-service, to provide convenient and secure services for clients around the clock. The Bank had more than ten types of such devices including ATMs, CRSs, intelligent counters, high-speed CRSs, mobile card issuing machines, and remote video teller machines. As of December 31, 2018, the Bank had a total of 2,934 self-service devices (including 325 ATMs, 313 CRSs, 115 inquiring and payment machines, 249 mobile card issuing machines, 41 remote video teller machines, 30 online banking experience machines, 30 mobile banking experience machines, 47 intelligent queuing machines, 212 intelligent counters, 30 high-speed CRSs, 22 interactive desktop devices, and 1520 intelligent community terminals. These devices offer a variety of financial services including deposit, withdrawal, account enquiry, password change, card issuing, e-banking subscription, SMS notification subscription, etc.

Online Banking

The Bank continuously improved its online retail banking service to offer better user experiences. As at December 31, 2018, the number of online banking clients of the Bank increased by 54% year on year to 471,900. In the year, the number of transfer transactions through online banking totalled 1.2306 million, an increase of 41% from the previous year. The total amount of the transactions in the year was RMB34.912 billion, an increase of 22% from the previous year.

Mobile Banking

The Bank continuously upgraded functions for its mobile banking service and streamlined the operation procedures to conform to the operation habits of clients and enhance interactive experiences. As at December 31, 2018, the number of mobile banking clients of the Bank reached 992,300, an increase of 61% year on year. It also constantly added functions to its mobile banking service, including risk assessment, evening wealth management, medical insurance payment, personal loan, and mobile mall, and further simplified the operation procedures based on habits of clients for a better mobile application experience. In the year, the number of transfer transactions through mobile banking totalled 2.6742 million, an increase of 36% from the previous year. The total amount of the transactions in the year was RMB20.497 billion, an increase of 52% from the previous year.

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

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 manager, information inquiry on latest wealth management products, daily life service payment, search of outlets and attendant 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 financial knowledge promotional campaign through WeChat to expand marketing channels so that customers can understand latest product information in a timely manner, increase the way and frequency for customers to understand investment and wealth management, rights protection, risk prevention and other financial knowledge, guide 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 December 31, 2018, the number of WeChat banking clients of the Bank reached 422,800, an increase of 49% year on year.

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 and Insurance 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.



5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

Measures of Energy Saving and Emissions Reduction:

Energy consumption and greenhouse gas emission by the Bank in 2018

Type	Unit	2018
Head office power consumption	10,000 kWhs	301.8
Head office water consumption	Ton	58,332
Head office oil consumption	L	110,720
Head office natural gas consumption	M ³	17,143
Head office greenhouse gas emission	Ton carbon dioxide equivalent	2,618.01
– Direct greenhouse gas emission*	Ton carbon dioxide equivalent	273.33
– Indirect greenhouse gas emission**	Ton carbon dioxide equivalent	2,344.68

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

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

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℃ or above in summer. The main engines of air-conditioners were shut down at 17:00. In 2018, 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.

5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

- Actively adopting telecommuting to reduce unnecessary staff travel. During the reporting period, the Bank held 137 video conferences.
- Promoting a green data centre. Shengjing 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 2018, Shengjing Bank's data centre had 1059 virtual servers, reducing procurement costs by more than RMB60 million, cutting operation and maintenance costs by more than RMB60 million, saving 9 million kWh electricity and reducing over 7000 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.

Disposal of Wastes:

- Recycling equipment. The replaced terminal devices were recycled. In 2018, 557 units of equipment were recycled (227 terminals, 169 passbook printers, 28 needle printers, 92 gold card keyboards, 5 network devices and 36 servers), and 16,059 consumables (print cartridges, toner cartridges, ribbons) were used.
- 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, the obsolete fluorescent tubes were 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 for recollection, preservation and disposal.





5. GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION (Continued)

Procurement Management:

Shengjing Bank formulated the centralised procurement management policy which features bank-wide centralised management, two-level authorisation, and supervision for checks and balances. Based on project characteristics, the Bank selected industry-leading suppliers that: (1) is capable of independently assuming civil liabilities; (2) have sound business reputation and well-established financial accounting systems; (3) possess the equipment and expertise to implement contracts; (4) boast positive records on paying taxes and social security funds in accordance with laws; (5) have never seriously violated laws during business operations (which resulted in criminal punishment, business suspension, license or certification revocation, a large amount of fine, or other administrative penalties due to illegal business activities) before partitioning in the Bank's procurement activities; (6) meet the other reasonable conditions put forward by the Bank considering business development requirements and actual needs. In principle, the Bank pursuing centralised procurement shall purchase domestic goods, engineering expertise and services and give priority to the purchase of energy-saving, environment-friendly and state-supported products.

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

6.1 IMPROVE SERVICE QUALITY

Shengjing Bank improved service capabilities, management capabilities, and brand competitiveness by establishing a bank-wide grand service system to maximise service quality. According to service management requirements, the Bank carried out service inspections that covered external environments, convenience facilities, and service quality of business outlets, so as to better the service quality and efficiency and create a pleasing service environment.

It also set up a client service reservation system to reduce the waiting time for clients, and specially enhanced the caring services for clients with difficulties or disabilities by offering green channels, simplifying service procedures, and providing door-to-door services. The Bank continued to polish services in the halls of business outlets. It employed reasonable approaches to distribute traffic and increase the use rate of self-service devices, with an aim to reduce the pressure of service counters and have clients served sooner. When participating in the annual appraisal of high-quality, civilised services, the Bank was granted 13 honorary titles including “National Star Outlet” and “National Outstanding Lobby Manager”. Three branch outlets were nominated for the national competition of “top 1,000 business outlets with high-quality and civilised services if the year”.

In order to create a harmonious financial service environment, fully increase the business management capability and service criteria, improve employees’ service skills and overall quality, the Bank actively participated in the 4th Liaoning Banking Service Skill Competition jointly held by Liaoning Banking Association and Liaoning Working Committee of Chinese Financial Workers’ Union. The leadership paid close attention to the event and the Bank remarkably won titles such as “Outstanding Organiser”, “Third Group Award for Typing of Chinese, Numbers, and English”, and “Outstanding Individual”.

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 the building of intelligent outlets, and deployed intelligent devices such as intelligent counters and high-speed CRSs in 2018 to further add self-service functions, enabling customers to, without service attendants, access frequently demanded services including debit card issuing and activation, e-banking subscription, account enquiry, and bank statement printing. This has significantly increased the service efficiency, made the services at outlets smarter, and enabled customers to have a better service experience. The Bank actively promoted the e-banking services and the number of e-banking clients increased by 706,400 or 55% year on year in 2018. It continued to upgrade its mobile banking and online banking functions, and launched mobile payment functions including Huawei Pay and Samsung Pay to further strengthen the mobile payment experience. In the whole year, more than 253 service functions were optimised.

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

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 157 ramp ways, 109 parking spaces for the disabled, 88 braille guidebooks, 77 cards for aiding the blind, 175 voice queuing machines, 61 braille keypads, 140 voice currency detectors, 299 voice ATMs, 716 voice displays, 262 seats for the special group, 174 counters for the special group and 71 pet stations. 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. As of the end of 2018, the Bank had 1,471 self-service devices and it deployed more intelligent devices in 2018, including intelligent counters, high-speed CRSs, and interactive desktop devices, to enrich the device types and service functions for better service quality at the lobbies of business outlets. In addition, the Bank stepped up efforts to build more 24-hour self-service outlets and clarified criteria on device configuration, operation management, and brand image building accordingly to enable customers access services through more channels.

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 March 15th 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. During the year, it participated in 3,135 public education activities, which involved 18,000 volunteers, 1,171,100 audiences, and 749,300 copies of publications.



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

3.15 Campaign for Further Protecting Customers' Rights and Interests

From March 1st to March 31st, 2018, the Bank voluntarily carried out a one-month propaganda campaign on protecting consumers' rights and interests, echoing the March 15th International Day for Protecting Consumers' Rights.

This year's event was themed "Look at Internet Finance and Understand the Payment Tools around You". The Bank carried out the "Four One" series of activities, i.e. one bank-wide knowledge training, one keynote presentation activity of youth volunteer teams, one special campaign for a financial knowledge education and demonstration base, and one large-scale campaign covering all outlets. The event fully capitalised on the propaganda effectiveness of bank-wide training, youth volunteer teams, financial knowledge education and demonstration base, and large-scale campaign. It is an event of the Bank to fulfil its social responsibility, laid a solid foundation for comprehensively deepening financial knowledge education among the public, and raised the public's awareness and capability of self-protection.



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

Campaign for Spreading Financial Knowledge

In order to actively drive financial consumer rights protection and consumer education services and to strive to increase the financial know-how and safety awareness of banking consumers, the Bank carried out a campaign of spreading financial knowledge from July to September under the requirements of the China Banking Association. Firstly, the campaign employed not only conventional propaganda means, but also innovative means developed with new forms, ideas and perspectives for the “going outside” and “introducing” methodologies. Secondly, the Bank strengthened propaganda through channels including social media and school campuses, to fully leverage means such as social media, TV, and broadcast to implement all-out financial knowledge promotion and increase the coverage and accessibility of the efforts. The Bank also performed its social responsibilities and duties regarding public education, deepened efforts to educate the public on financial knowledge, and offered comprehensive high-quality financial enquiry services from various dimensions, so as to raise the understanding and recognition of financial products and knowledge among the public.



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

Campaigns of “Special Month for Spreading Financial Knowledge, and Bringing Financial Knowledge into Thousands of Families” cum “Enhancing Financial Literacy, and Becoming Financially Educated Netizens”

In September 2018, Shengjing Bank launched this campaign through its branches to carry out a variety of activities, including special coverage with the “Sheng Yin Xiao Bao” WeChat public account, “Bringing Financial Knowledge to Schools” special propaganda activity, financial knowledge education and demonstration base, youth volunteer teams for financial knowledge education, animations on financial knowledge education, and diverse institutional propaganda and education activities. With these activities, Shengjing Bank combined separate efforts to build its “One Core and Five Comprehensive Efforts” propaganda mode, which means to firmly stick to the theme of the campaign and comprehensively kick off the “Becoming Financially Educated Netizens” event, launch the online propaganda platform, start the “Bringing Financial Knowledge to Schools” event, set the education and demonstration base as a positive example, and increase the audience coverage and playback frequency of the “Bringing Financial Knowledge into Thousands of Families” financial propaganda animation series. Shengjing Bank also set up a special booth for financial knowledge propaganda during the China Marathon Expo to relentlessly drive financial consumer education and financial knowledge promotion, direct financial consumers to invest positive energy, raise the public’s awareness of risk prevention, and instruct them on how to use financial services correctly.



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 2018		As of 31 December 2017	
		Number	Percentage	Number	Percentage
Total number of employees		5,434	100.00	5,239	100.00
By gender	Male	2,351	43.26	2,262	43.18
	Female	3,083	56.74	2,977	56.82
By type of employment					
	Contract-based employee	5,434	100.00	5,239	100.00
By age group	Below 30 years old (inclusive)	2,154	39.64	2,277	43.46
	From 31 to 40 years old (inclusive)	1,757	32.33	1,530	29.21
	From 41 to 50 years old (inclusive)	1,276	23.48	1,273	24.30
	Over 50 years old	247	4.55	159	3.03
By region	Within Liaoning province	4,440	81.71	4,267	81.45
	Outside Liaoning province	994	18.29	972	18.55
New entrants		318	5.85	520	9.93
Employees from ethnic minorities		530	9.75	496	9.47

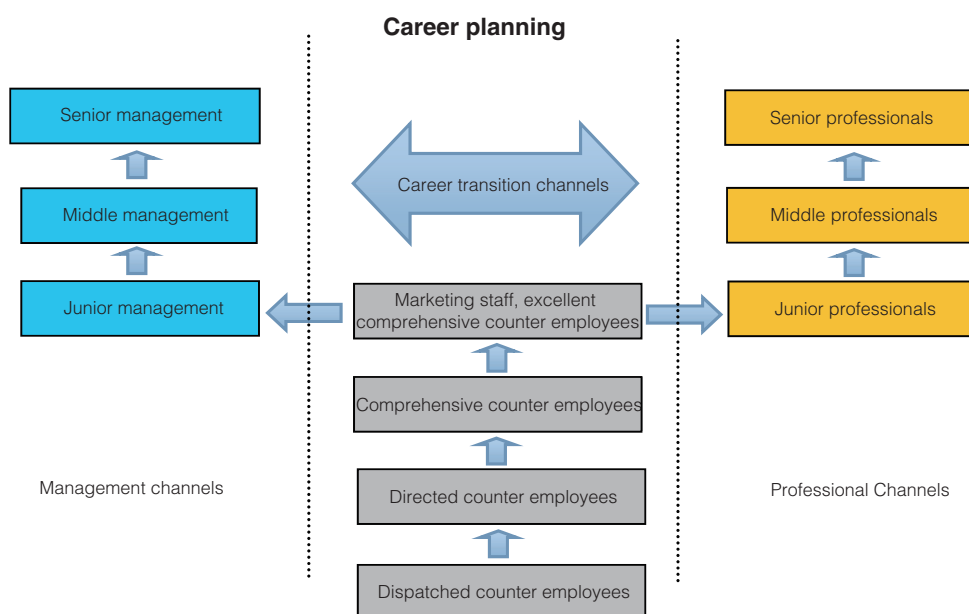
For recruitment, the Bank established *Management Measures of Shengjing Bank for Recruitment*, to emphasise the recruiting principle of being open, fair and impartial. The Bank also established a system to guarantee supervision and maintained object and fair attitude in the recruitment to provide equal employment opportunity for employees. It also strictly abided by the Labour Law and other relevant laws and regulations, and forbade involvement of child labour or forced labour in its business activities.

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*, *Management Measures of Shengjing Bank for Staff Level Assessment of Professional Skills*, *Management Measures of Shengjing Bank for the Levels of Risks and Responsibilities of Posts*, *Plan of Shengjing Bank for Enterprise Annuity*, *Plan of Shengjing Bank for Supplementary Medical Insurance*, and *Rules of Shengjing Bank on the Remuneration of Introduced or Exchanged Middle-Level and Senior Executives*. These documents specify the components and delivery modes 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)

For employee training, the Bank adopts a mechanism to plan and manage training centrally and seek responsibilities and implementation by level, which couples closely with the Bank's needs for talents in business development and drives talent cultivation. The Bank invested many efforts to train part-time teachers, encouraged business backbones of all departments 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. It combined theory with practices to improve training quality by offering diversified training and introducing flexible job exchanges and rotations.

Name of KPI	Unit	2018	2017
Average credit hours (operating and management personnel of mid and senior levels)	Hour	29	30
Average credit hours (operating and management personnel of junior levels)	Hour	26	42
Average credit hours (Employees)	Hour	94	96

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

Second Session of the Second General Meeting of Employee Representatives, cum Second Session of the Second Congress of Members of the Trade Union

On August 15, 2018, Shengjing Bank held the Second Session of the Second General Meeting of Employee Representatives cum Second Session of the Second Congress of Members of the Trade Union, at its headquarters, with the presence of the leadership members of the head office and 188 delegates from across the Bank. The meetings followed procedures to elect Shengjing Bank's employee supervisors and the vice president of the trade union.

They reviewed and approved the *Implementation Guidelines of Shengjing Bank on the General Meeting of Employee Representatives*, the *Rules of Procedures of Trade Union Committee of Shengjing Bank*, and other matters and rules. In addition, the chief enterprise representative and chief employee representative signed a collective contract at the meetings to promote democratic and scientific enterprise decision making and safeguard employees' legal rights and interests.

The meetings called on all staff in different positions under the leadership of the head office to maintain an awareness of crisis, accountability, and learning, and contribute through hard work in meeting the strategic objective of developing Shengjing Bank into a commercial bank with stable and robust business, scientific management, flexible systems, efficient operation, and premium services.



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

Professional Skill Competitions

On June 15, 2018, Shengjing Bank's "Practise at Work and Compete during Services" competition finished. The leadership members of the head office, comrade Cao Hong, Vice Chairman of Shenyang Federation of Labour Unions, and comrade Liu Zongchun, Chairman of the Service Industry Labour Union of the Shenyang Federation of Labour Unions attended the award ceremony. Comrade Wu Gang, Vice President of Head Office addressed the audience at the ceremony on behalf of the leadership.

The competition, which was kicked off on April 15, drew great attention from the leadership of the head office and was carefully organised by the relevant departments of the head office and the branches. Over 1,000 candidates participated in the competition. After two-month tight contest in two rounds, 119 of them won in the 14 categories during the finals and harvested the title of Role Model or Excellent Performer. Ten units were awarded the Outstanding Organisation title.

With a close focus on the development of the entire bank, the head office and trade union will strongly promote new ideas to combine the skill competition with business operations, talent cultivation, and employee career development, continuously promote the achievements made during the competition, strive to find a new competition mode that facilitate the development of the Bank, so as to contribute to comprehensive improvement of overall employee competence and business proficiency.



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

Associations of Culture or Sports

The Bank has established over 50 associations of culture and sports, covering basketball, football, table tennis, badminton, swimming, chess and cards, cycling, dancing, calligraphy and photography, chorus, reading and speech, yoga, etc. In 2018, the Bank held more than 3,000 cultural or sporting activities, which attracted over 30,000 participants from its employees. This enriched their lives and make them sense the honour of being part of the team, which in turn triggers their passion of hard work.



International Women's Day

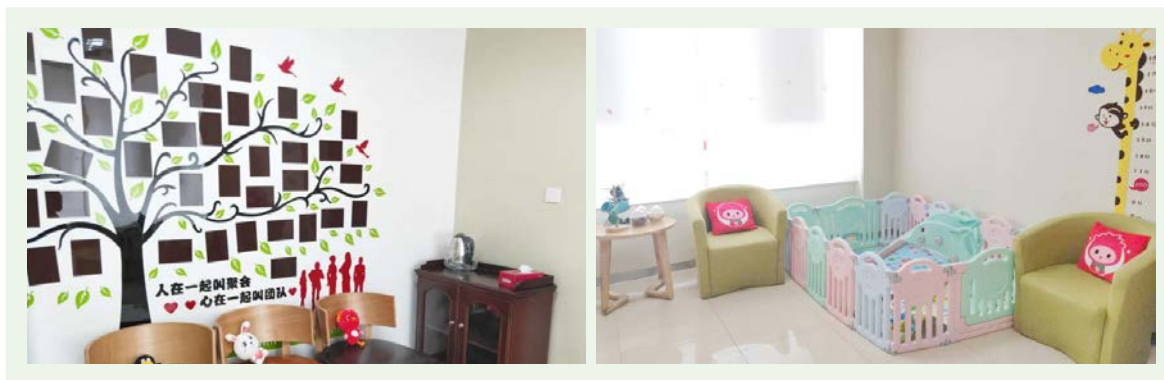
During the International Women's Day, the Bank's trade unions at all levels organised female employees to hold various celebrations. The head office launched the "Get Charming Together" make-up activity and over 80 female executives and employees at the head office joined the activity. They also invited professionals from the top 10 Chinese make-up artists and national stylists to explain how make-up could help women pursue career. Meanwhile, Dalian Branch held a panel discussion with its female employees and Jinzhou Branch organised events including Floriculture Salon and Vegetable DIY. On that day, all the female staff also received a carefully selected gift to make them feel the warmth of being part of Shengjing Bank.



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

Caring Room for Female Staff

In 2018, the head office trade union of Shengjing Bank started setup and promotion of Mother's Room. This initiative was quickly responded by the trade unions at all levels and has made remarkable achievements. Currently, Mother's Room has been set up in the business outlets of the head office, Shenyang Branch, Changchun Branch, Dalian Branch, Jinzhou Branch, and Dandong Branch with different features. Generally, a Mother's Room has four sections, including the feeding section, communication section, education section, and storage section. It is equipped with basic facilities such as refrigerator, water dispenser, washbasin, baby bed, and sofa. It is a clean, sanitary, comfortable, and private space for pregnant and nursing female employees to take rests or store breast milk. Mother's Room has gained wide popularity from female employees as it shows the Bank's care for them and represents a considerate service protecting their legal rights and interests during the special periods.



Hiking

The head office trade union and Shenyang branch trade union held the “May 1st Employee Hiking” event in Wulihe Park, with over 1,000 participants. It also represented the kick-off of employee activities throughout the year. More than 1,000 people, including employees and key customers, joined the event, which helped them build friendship and business ties.



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

Autumn Outing

The head office trade union organised for the first time an autumn outing themed “Happy and Energetic Shengjing Bank Employees”. About 500 head office staff participated in the event. During the event, the participants were excited and played team work to drive communication between departments.



Helping Employees

The head office trade union appropriated over RMB300,000 to offer aid to more than 80 employees with financial difficulties.

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

Health Check for Employees

As instructed by the head office leadership, the Collective Contract was prepared to include health check for employees, clarifying that each employee is entitled to health check once a year. Accordingly, the head office organised the health check for the first time in the year.

Delivering Warmth during Holidays

In accordance with the trade union fund usage regulations, the Bank delivered holiday benefits in full to employees in the Gregorian New Year's Day, Chinese Lunar New Year Holiday, and Chinese National Day Holiday to make them feel warmth during the special moments. The Bank has also been preparing birthday cakes for and giving best wishes to employees.

6.4 COMMITMENT TO SOCIAL BENEFITS

2018 Shenyang International Marathon competition

On September 9, 2018, the 2018 Shenyang International Marathon competition was kicked off in Shenyang Olympic Centre, with Shengjing Bank being the sole named sponsor. More than 20,000 athletes from 17 countries and regions participated in the event, demonstrating the spirit of "seeking self-breakthrough and never giving up" with action and passion. The event was broadcast live on the CCTV5+ channel and Shenyang Radio and Television Station. It was also broadcast live by 40 online media including CNTV, People.cn, and Xinhuanet.com that partnered iQIYI and Youku.

People at the Hun River became excited about this. The red colour of Shengjing Bank was really eye-catching among the runners, along the track, and by the finishing line. In order to actively participate in the event, Shengjing Bank built a team of over 200 runners, who started their journey from the starting line together wearing red T-shirts with a noticeable logo and holding a bright-coloured banner and team flag, against the blue sky and white clouds, which made the competition even more attractive.

The Bank also built a cheering squad of 125 carefully selected staff and dispatched them to five locations along the track, where they wave inflatable colour sticks to hail for athletes. Near the finishing lines of the mini marathon, 10-kilometre marathon, and half marathon, it set up background walls for photo taking, and arranged people dressed up like Superman or Spider Man to boost the excitement. After the competition, athletes were very happy to collect the "Xiao Sheng" key chain as souvenir and give movie heroes a hug. The funny experience left them a deep impression of the enterprise image "Bank at Home and of Citizens".

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

During the China Marathon Expo started on September 6th, Shengjing Bank set up a friendly and dynamic booth that demonstrated many highlights through booth design, activity preparation, and service personnel arrangement. Through the expo, Shengjing Bank showed the public its achievements as a financial enterprise and shared with them the positive energy brought by the marathon competition to the city.

Sponsoring the Shenyang International Marathon competition is an important approach of Shengjing Bank to respond to the request of the municipal Party committee and municipal government and to perform its social responsibility as a financial enterprise. Competition preparation allowed the head office to work closely with all branches and staff, enhancing the teamwork spirit within the Bank and once more demonstrated the Bank's courage to tackle any difficulties. In every step from registration to material collection and then to competition, Shengjing Bank was devoted with careful planning, extensive promotion, and proactive participation, so as to truly fulfil its social responsibility and effectively boost the development of the sports and cultural sectors.



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

Donation

In 2018, the head office donated funds with Shenyang Foundation for Disabled Persons to 500 families in the city. It held the “Aid for Disabled Persons and Warmth to Thousands of Families”, “Caring Buses”, and “Warming Cushion and Life-long Safety” activities with Shenyang Charity Federation to donate rice, cooking oil, and other life supplies to 150 low-income families, offer water bottles to 7,100 bus drivers, set up cushions for 2,100 seats on old buses and for 1,500 seats in five medical institutions including Shenyang Children’s Hospital. It also held talks with representatives of outstanding Shenyang citizens demonstrating the courage to battle criminals and donate RMB210,000 to them. The Bank voluntarily visited children in Shenyang Children Welfare Office and carry out other public welfare activities. It donated a total of RMB1.23 million for charity throughout the year, demonstrating an appealing image of an urban commercial bank actively fulfilling its social responsibilities.



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

Precision poverty alleviation

Shengjing Bank paid much attention to people in poverty, especially those entered poverty due to diseases, implemented the principle of participating in poverty alleviation projects precisely, helping poor families precisely, and use funds precisely in improving vegetable greenhouses and expanding financial aid for the fishery and poultry sector to continuously increase the income of families in poverty. When visiting rural families in poverty before winter came, the poverty alleviation team initiated the “House Warming” program to help families renovate their severely damaged houses, so as to keep them warm in winter. 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.



PROSPECT FOR 2019

Currently, both the domestic and global economies are facing complexities and difficulties. The global economy has slowed down and is seeing the rise of protectionism and unilateralism, which amplify fluctuations in financial markets. In China, the downward pressure on the economy has increased, monetary policies need improvement for better steering funds to the real economy, and financial and fiscal risk control still has a long way to go. Despite the unfavourable conditions, the Chinese economy still maintains an upward momentum from a long-term perspective, and the supply-side structural reform in the financial sector and the strengthening counter-cyclical macro policies can further stabilise employment, financial services, foreign trade, foreign funds, investment, and expectations for sustainable development of the economy and stability of the society. This will create a more favourable environment for the financial sector to grow.

The ecosystem of the banking sector continues to transform dramatically. As financial regulation enhancement becomes a normal state, the Bank will strive to prevent financial risks and deepen institutional reform to better serve the real economy. Interest rate liberalization is accelerating and intra-sector and inter-sector competition is intensifying, strongly challenging the profitability, risk control capacity, and management efficiency of banks. Fintech development is picking up momentum and new technologies are gaining influence over the financial sector at a speed never seen before. Based on the national strategies of China and the supply-side structural reform of the financial sector, the banking industry will firmly promote high-quality development, seek transformation and innovation, strengthen capital management, proactively consolidate the ground of the deposit and lending business, and improve lean management for mutually beneficial interactions with the real economy.

In the next three years, the Bank will follow the new economic and financial development trend, stick to the business philosophy of building a bank founded on the basis of deposit, compliance, talent, and technology, and capitalise on transformation opportunities to further consolidate our business ground and achieve coordinated development and mutual benefits with regional economies through geographic business deployment with support from risk control and Fintech.

In order to achieve the above objectives, the Bank will adopt the following measures: 1. Vigorously develop “light capital and light assets” business, and achieve, based on comprehensive considerations of cost, return, risk, and capital, a steady increase in operating profit with faster asset turnover and lower capital consumption; 2. Implement the “One Entity Two Centres” geographic business deployment that focuses on Northeast China where its headquarters is located and takes the Beijing-Tianjin-Hebei region and Yangtze River Delta region as its centres to create three pillars of growth with complementary advantages and collaborative innovation; 3. Drive the Bank to transform under the “big retail” strategy to develop a wealth management system that covers payment, settlement, consumer finance, wealth management, credit card, and other business; 4. Build the core competitiveness for business growth and forge a wealth management system that covers cash management, supply chain finance, transaction banking, and investment banking; 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, closely follow the Bank’s development strategy to build an efficient, secure, and professional IT system, and strengthen the support of information technologies for business development, so as to improve the capabilities of decision making, product innovation, and risk control; 8. Deepen institutional and organisational reforms, improve the incentive and restriction mechanisms, and enhance staff training; 9. Vigorously promote corporate culture, actively perform social responsibilities, and improve the Bank’s competitiveness and corporate image.



INDEPENDENT LIMITED ASSURANCE REPORT

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 2018 Environmental, Social and Governance Report of the Bank for the year ended 31 December 2018 ("the ESG Report").

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank is solely responsible for the preparation and presentation of the 2018 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.

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.

INDEPENDENT LIMITED ASSURANCE REPORT (Continued)

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.

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 2018 is not prepared, in all material respects, in accordance with the SEHK's Guidelines.

KPMG Huazhen LLP

Beijing
15 July, 2019

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 33–36	A1.1	The types of emissions and respective emissions data.	Note	
			A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 34	
			A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N.A.	
			A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Page 35	
			A1.5	Description of measures to mitigate emissions and results achieved.	Pages 33–36	
			A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Page 36	
A2 Use of resources	Policies on the efficient use of resources, including energy, water and other raw materials.	Pages 33–36	A2.1	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).	Page 8	
			A2.2	Water consumption in total and intensity (e.g. per unit of production volume per facility).	Page 8	
			A2.3	Description of energy use efficiency initiatives and results achieved.	Pages 33–36	
			A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Page 34	
			A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N.A.	
A3 Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Pages 31–36	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Pages 31–36	

ESG INDICATOR INDEX (Continued)

Subject Areas and Aspects		Disclosure location			Disclosure location
General Disclosures			KPIs		
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 43–44	B1.1	Total workforce by gender, employment type, age group and geographical region.	Page 43
			B1.2	Employee turnover rate by gender, age group and geographical region.	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 43–44	B2.1	Number and rate of work-related fatalities.	Pages 43–44
			B2.2	Lost days due to work injury.	Pages 43–44
			B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Pages 43–44
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Pages 45	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Page 45
			B3.2	The average training hours completed per employee by gender and employee category.	Page 45
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 43–44	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Page 43
			B4.2	Description of steps taken to eliminate such practices when discovered.	N.A.
B5 Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	Page 36	B5.1	Number of suppliers by geographical region.	Note
			B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Page 36

ESG INDICATOR INDEX (Continued)

Subject Areas and Aspects	General Disclosures	Disclosure location		Disclosure 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 37-42	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 37
			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 39
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 19-21	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 19-22
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 51-54	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). Pages 51-54
			B8.2	Resources contributed (e.g. money or time) to the focus area. Pages 51-54

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

FEEDBACK FROM READERS

FEEDBACK FROM READERS

Thank you for reading the 2018 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.

Tel : 024-2253 5633
Fax : 024-2253 5930
E-mail : shengjing@shengjingbank.com.cn
Address : 109, Beizhan Road, Shenhe District, Shenyang City, Liaoning Province, P.R.C.
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!



盛京銀行
SHENGJING BANK

☎ (024)95337 / 400-699-6666

💻 www.shengjingbank.com.cn



Official Website



Mobile Banking