

CHINA ZHESHANG BANK CO., LTD.  
Corporate Social Responsibility Report 2019

March 2020

## Contents

Notice about report preparation.....	2
Overview.....	4
Special topic: exploring a long-acting mechanism for financial poverty alleviation.....	7
What we've done in 2019.....	19
CSR Key Performance Indicators.....	19
CSR Performance Chronicle.....	21
Corporate Overview.....	23
I. Corporate Profile.....	23
II. Corporate Governance.....	23
III. Risk control.....	24
IV. Internal control and compliance management.....	25
V. Honors and Awards.....	29
I. Long-term and stable social responsibility management.....	31
A. The concept of social responsibility.....	31
B. Social responsibility management.....	31
C. Communication with the stakeholders.....	31
II. Keeping the mission of serving the real economy in mind.....	35
A. Serving the national strategies.....	35
B. Fueling the growth of private businesses.....	39
C. Practicing inclusive finance.....	42
D. Developing financial technologies.....	45
III. Seeking excellence through innovative banking services.....	49
A. Exploring approaches to smart living.....	49
B. Providing thoughtful services.....	50
C. Protecting customers' interests and rights.....	53
IV. Creating a green world.....	56
A. Managing environmental risk.....	56
B. Developing green finance.....	57
C. Providing green services.....	60
D. Advocating green lifestyles.....	60
V. Strengthening company cohesion through human-centered management.....	66
A. Protecting employee rights and interests.....	66
B. Assisting employees in personal development.....	68
C. Caring for employees.....	71
VI. Making charity a part of corporate culture.....	75
A. Building a public-spirited brand.....	75
B. Engaging in public service.....	77
Relevant Indicators.....	79
Independent Assurance Report.....	93
Feedback from Readers.....	96

## Notice about report preparation

The Board and all the Directors of the Company guarantee that there are no false representations, misleading statements or major omissions regarding the contents of this report, and they shall be jointly and severally liable for the truthfulness, accuracy and completeness of the contents.

### Scope of application

Reporting organizations: Head Office and all the branches of China Zheshang Bank Co., Ltd. For the sake of convenience, "China Zheshang Bank Co., Ltd." in the report is hereinafter referred to as "CZBank", "our Bank" or "we".

Reporting period: January 1, 2019 - December 31, 2019 (Part of the contents go beyond the above reporting period)

Reporting cycle: each fiscal year. The last year's report was released in May 2019.

The financial data in this report is derived from the audited CZBank 2019 Annual Report, while other data is collected based on CZBank's internal documents and relevant statistics. Part of the contents and data can be traced back to previous years.

### Reference standard

This report is prepared in accordance with relevant requirements set forth in the *Opinions on Strengthening the Social Responsibility of Banking Financial Institutions* issued by the China Banking and Insurance Regulatory Commission (CBIRC), China Banking Association's *Guidelines for Corporate Social Responsibility of China's Banking Financial Institutions*, Shanghai Stock Exchange's *Notice on Strengthening Listed Companies' Assumption of Social Responsibility and the Guidelines on Listed Companies' Environmental Information Disclosure*, Hong Kong Stock Exchange's *Environmental, Social and Governance Reporting Guide* "Comply or explain" provisions, and also complies with *ISO 26000:2010, Guidance on Social Responsibility* released by the International Standardization Organization(ISO), GRI (Global Reporting Initiative) Standards and etc.

### Reporting language

This report is prepared in simplified Chinese, traditional Chinese and English respectively, and in the event of any discrepancies, the simplified Chinese version shall prevail.

### Report publication

The report is available in both printed and electronic forms (for accessing and downloading the electronic report, please login to: <http://www.czbank.com/> ; <http://www.hkex.com.hk/>).

### Report availability

CZBank Office

Address: No. 288 Qingchun Road, Hangzhou, Zhejiang Province, China

Postcode: 310006

Tel: +86-0571-87659817

Fax: +86-0571-87659511

Email: [zhbgs@czbank.com](mailto:zhbgs@czbank.com)

## Overview

2019, a crucial year for building a moderately prosperous society in all respects, marked the 70th anniversary of the foundation of the People's Republic of China and the 15th anniversary of the establishment of CZBank. It was a year when we finished building the "A + H shares" dually listed platform through a successful IPO on the A-share market; and a year when, in the face of the complicated external environment and many uncertainties, as well as driven by the "Two Most" overall goal, we adhered to our original intention of serving the real economy, established and implemented the platform-based service strategy, promoted innovative transformation and development, and accelerated the gaining of new momentum. As a result, we were able to serve the economy and society efficiently as well as secured a rapid and sound growth.

**Operating stably and compliantly.** In order to guard against and defuse risks, we constantly optimize the overall risk management system, improve the quality and efficiency of credit review services, and further enhance the effectiveness of risk management. We fully implemented the basic requirements of "Five Strict" for internal control and compliance management, so as to ensure compliant operation and risk control. We also set up a working group for special assets recovery and risk defusing to accelerate the recovery and disposal of non-performing assets. By the end of 2019, the non-performing loan ratio of our Bank was 1.37%, and the provision coverage ratio was 220.80%, basically maintaining sound asset quality.

**Supporting the real economy.** We put focus back on serving the real economy and satisfying its diversified financial demands. To better serve the real economy and drive industrial transformation and upgrading, we optimized financial resources allocation, promoted the platform-based service model, and created a whole-process "funds, assets and services financing" systematic financial solution for intelligent manufacturing. We also proactively served major national strategies and key projects, including the Belt and Road Initiative, the Integrated Development of the Yangtze River Delta and the "Made in China 2025". By the end of 2019, the total loan balance of our Bank reached RMB 1,053.876 billion, representing an increase of 19.56% compared to RMB 172.403 billion at the beginning of this year.

**Promoting inclusive finance.** Taking advantage on our private sector customer base and being an industry benchmark in Micro and Small Enterprises (MSEs) financial services, we put inclusive finance into practice. Through actively innovating and applying investment banking products and tools to broaden direct financing channels for private enterprises, we raised RMB 890.909 billion for private enterprises in 2019, and became the largest developer of bond financing supporting tools for private enterprises in the inter-bank market. Besides, we continued to strengthen the building of inclusive financial institutions, promote products like MSEs Asset Pool, Repayment Link and Revolving Loan, and to drive the upgrading of our online business, so as to become a "Gold Supplier" of MSEs financial services. By the end of 2019, we had 161 specialized institutions serving small enterprises in place, and the national-standard micro and small enterprises loan balance of our Bank reached RMB 232.352 billion, up 13.59% from the beginning of the year.

**Facilitating poverty alleviation.** We aimed to facilitate financial poverty alleviation by giving full play to our comprehensive advantages in capital, products and talents, and meanwhile, explored some new models. In 2019, we underwrote the first RMB 500 million bailout loan and a poverty alleviation loan of RMB 100 million for Liangshan, Sichuan Province. We also dispatched poverty alleviation cadres and implemented the industry-wide poverty alleviation model of "bank + leading enterprise + cooperative + farmer", in order to pool financial resources to underpin poverty-stricken areas and groups. By the end of 2019, the targeted poverty alleviation loan balance of our Bank reached RMB 600 million. Meanwhile, we launched the "One bank branch for one primary school" plan, which required all the branches to provide partner assistance for poverty-stricken primary schools in a long-term, targeted and all-round way. As a result, a comprehensive poverty alleviation pattern of "industrial poverty alleviation + educational poverty alleviation + talent-based poverty alleviation" has been established preliminarily.

**Insisting on green development.** In an active move to promote green finance, strengthen environmental and social risks control during the loan process, and continuously improve the credit structure, we saw the proportion of the loan balance of the "Two High (high pollution and high energy consumption) and One Excess (excess capacity)" industries to the total loan balance of our Bank declined for four consecutive years. In 2019, our Bank successfully granted the first RMB 5 billion green financial bond and provided customized and diversified financial services for eco-friendly enterprises relying on the advantages of platform-based services. By the end of 2019, we had provided RMB 107.773 billion in financing for environmental protection-related sectors. The balance of green loans was RMB 53.878 billion, an increase of RMB 31.32 billion or 138.84% from the beginning of the year. While insisting on green operation, we also mobilized our staff, customers, suppliers and other stakeholders to put the concept of environmental protection into practice, in a bid to preserve the beauty of blue sky and lucid waters.

**Providing high-quality services.** We focused on creating value for customers, deeply identified their problems, and therefore helped them improve efficiency, reduce costs, solve problems in terms of product design and service improvement. We strove to promote the "Double Service" and "once at most" reform which aimed at offering one-stop services, continuously optimize customer experience, and to bring real value to customers. In 2019, our new intelligent machines were successfully deployed at all the branches; the e-channel services accounted for over 99% of the total; and the customer satisfaction rate of our 95527 hotline service registered 99.73%. In the meantime, we attached great importance to customer privacy protection, and worked to constantly upgrade and improve customer information security management system relying on financial technology. We also placed emphasis on financial knowledge communication, and had carried out over 1,300 activities including "publicity activities in industrial parks, suburbs and communities" for more than 3 million people.

**Sharing the achievement of development.** Adhering to the culture philosophy of "humanity care", we are committed to providing our employees with a fair and promising career development platform. Over the course of 2019, we built a satisfaction survey platform to listen to the voice of employees, piloted the first staff mutual-help scheme focused on their physical and mental health, and attached great importance to employee training (training time

of about 53.86 hours per employee). Furthermore, we continued to build "CZBank Rainbow Plan", "Salute to City Guardians" and other public-spirited brands, and moved to promote public welfare activities themed on educational donation and environmental protection, so as to contribute to the society and show love and care to those in need. As of the end of 2019, our expenditure on charitable donations had amounted to RMB 10.855 million.

The year 2020 marks the end of building a moderately prosperous society in all respects and the 13th Five-Year Plan, and is a crucial year for achieving the first centenary goal and laying a solid foundation for the development of the 14th Five-Year Plan and the second centenary goal. For our Bank, 2020 is the last year for the 3rd Five-Year Plan and the first year signifying the full implementation of the platform-based service strategy.

In the face of the sudden Corona Virus Disease 2019 (COVID-19) at the beginning of 2020, we act rapidly by taking a series of measures, including donating money and related material, introducing "Six Measures" for MSE finance, opening up a "green channel" of financing for enterprises in the battle against COVID-19, and strengthening COVID-19 prevention and control. With strong financial foundation, we endeavor to offer continuous and high-quality financial services, and to join hands with all walks of life to win the battle.

After the storm comes a calm. The beginning of 2020 has given us a deeper understanding of our mission and responsibilities as a financial institution. Looking ahead, we, CZBank, will continue to uphold the social responsibility philosophy, boost high-quality development in a more determined way, pay greater attention to solid foundation, and respond to the stakeholder' expectations and demands more actively. Further, we will promote the organic integration of social responsibility and business development, to secure higher efficiency and sustainability, thus contributing to the sustainable and healthy development of national economy and social stability.

## Special topic: exploring a long-acting mechanism for financial poverty alleviation , transferring financial temperature

2019 was a crucial year for completing the building of a moderately prosperous society in all respects and achieving the first centenary goal, and the battle against poverty came at a critical time. Taking into consideration the national strategies and social development, CZBank continued to pool resources for targeted poverty alleviation and eradication, and carried out related work in an orderly and solid manner, so as to provide financial support for more regions and groups in need.

### (I) Our poverty alleviation actions

Table: CZBank's Financial Poverty Alleviation Measures

<b>Strengthening the top-level design</b>	<ul style="list-style-type: none"> <li>Formulating the <i>CZBank Financial Poverty Alleviation Work Plan during the 13th Five-Year Plan Period</i>, and identifying the guiding ideology, mechanism and key points of poverty alleviation work from 2016 to 2020</li> <li>Setting up the poverty alleviation leading group under the leadership of the Party committee of CZBank Head Office</li> <li>Issuing the <i>Guidance on Promoting Financial Services for Rural Revitalization and Poverty Alleviation</i>, the <i>Notice on Implementing the Targeted Poverty Alleviation Work via Financial Support</i>, and the <i>Notice on the Establishment of a Long-acting Partner Assistance Mechanism for Poverty-stricken Primary Schools</i> in 2019, and making special arrangements for rural revitalization, poverty eradication and educational poverty alleviation throughout the year</li> </ul>
<b>Increasing poverty alleviation loans and policy support</b>	<ul style="list-style-type: none"> <li>Formulating a separate loan plan for small enterprises, giving priority to financing needs of micro and small enterprises (such as those engaged in agriculture-related industries), and underpinning the industrial development of poverty-stricken areas and the employment of "grassroots" entrepreneurs</li> <li>Increasing loan support for key poverty alleviation projects and giving priority to these projects in terms of credit approval and credit limit</li> <li>Providing support for infrastructure construction in poverty-stricken areas and loan support for water conservancy, transportation and electricity related projects; providing preferential support for the development of special agricultural industries and leading enterprises in poverty-stricken areas, so as to increase the income of local people;</li> </ul>



	<p>supporting the construction of small towns in poverty-stricken areas with special resources and location advantages, and helping them fully tap their own resource endowment and foster economic growth momentum through loan support</p>
<b>Expanding the service scope</b>	<ul style="list-style-type: none"> <li>• Providing support for poverty-stricken areas in terms of branch establishment, talent exchange and etc.; dispatching key staff to schools and villages, speeding up the establishment of branches in the central and western regions of China, and taking the lead in setting up second-tier branches in Xianyang (Shaanxi Province), Liangshan (Sichuan Province) and Tianshui (Gansu Province) where there are many poverty-stricken counties</li> <li>• Intensifying efforts to alleviate poverty through the "Internet Plus" Initiative, and building an "Internet Plus" financial ecosystem with WAP as the main platform and online banking, WeChat banking, direct bank, and mobile financial Apps as channels</li> </ul>
<b>Innovating products and services</b>	<ul style="list-style-type: none"> <li>• Based on the customer needs in poverty-stricken areas and market trends like Internet Finance, facilitating product innovation and development in terms of the type of guaranty, term, withdrawal and repayment method, and target customer base</li> <li>• Empowering bank branches in terms of product research and development, and encouraging them to develop more targeted loan products; focusing on the innovation of agriculture-related financial products</li> <li>• Vigorously promoting "Bank + Leading Enterprise + Farmer" cooperative mode, a series of products such as loans for "Farmhouse Mortgage Loan" ("农房抵押贷"), "Photovoltaic Loan" ("光伏贷") and "Breeding Loan" ("养殖贷"), and providing entrepreneurship support for poverty-stricken villages and households; promoting the business of "Repayment Link" ("还贷通"), "Bianli Loan" ("便利贷") and "Suiyi Loan" ("随易贷") etc. so as to improve financing efficiency and reduce financing costs, ensuring seamless turnover of loans for micro and small enterprises in poverty-stricken areas</li> </ul>
<b>Joint efforts in poverty alleviation</b>	<ul style="list-style-type: none"> <li>• Closely working with the local government and etc., and promoting targeted poverty alleviation through establishing joint support funds, industrial funds and etc.</li> <li>• Cooperating with Internet companies like JD.com and Alibaba to support rural e-commerce development</li> <li>• Strengthening partnership with rural financial institutions in terms of</li> </ul>

	<p>the "Internet Plus" business, bill business and etc., so as to improve their financial services and service efficiency</p> <ul style="list-style-type: none"> <li>Organizing and participating in public welfare activities, and actively engaging in the battle against poverty; providing partner assistance for poverty-stricken areas to realize targeted poverty alleviation</li> </ul>
--	---

## (II) Our poverty alleviation practices

### 1. Promoting industrial poverty alleviation based on the present situation

After years of exploration for poverty alleviation, CZBank has developed an industry-wide poverty alleviation model of "bank + leading enterprise + cooperative + farmer (poverty-stricken farmer)". Relying on the advantages of local special industries and leading enterprises, we are dedicated to solving the problem of difficult and expensive financing for farmers engaged in the planting and breeding sectors in poverty-stricken areas. This not only boosted enterprise development, but also helped facilitate the employment of poverty-stricken households, increase their income, and enable poverty-stricken areas to re-gain momentum for development.

By the end of 2019, the targeted poverty alleviation loan balance of our Bank reached RMB 600 million, with a total of 2,536 registered poverty-stricken households getting supported. Of all, the balance of industrial targeted poverty alleviation loan was RMB 518 million, representing an increase of RMB 141 million from the beginning of the year.

#### **Case: Providing support for a leading corn enterprise to help increase the income of local households**

Relying on the industrial poverty alleviation model of "guarantee company + bank + key enterprise + planting partner + farmer (poverty-stricken farmer)", our Lanzhou Branch worked out a solution to the financing problem of a leading corn enterprise in Gansu Province, helped the enterprise expand production capacity and thus increased the income of local farmers. In 2019, the enterprise provided assistance for a total of 2,262 registered poverty-stricken households, all of whom were lifted out of poverty. The poverty relief rate reached 100%.



Photo: Local farmers were harvesting corn in cornfields.

#### **Case: Unclogging the supply chain bottlenecks of the dairy industry to promote poverty**

#### eradication of farmers.

According to the industrial targeted poverty alleviation model of "bank + key enterprise + farmer", our Lanzhou Branch issued cooperative loans in batch to small and medium-sized farms in the upstream supply chain of Liaoyuan Dairy. The farmers used the funds to buy cows, and then partnered with Liaoyuan Dairy through signing cow custody agreements to bear costs on an annual and quantitative basis. In doing so, the income of farmers increased.

*"Issuing loans not only enriches the milk sourcing channel of Liaoyuan Dairy, but also increases the income of farmers, whose annual incomes have increased from less than RMB 10,000 to more than RMB 60,000, greatly improving their living standard."*

—Li Yonghong, Financial Controller at Liaoyuan Dairy



Photo: The cow breeders who partnered with Liaoyuan Dairy were collecting the milk money at the milking station.

#### Case: Joining hands with a major fruit & vegetable planting enterprise to lift fruit growers in Liangshan out of poverty

Dechang Weiyi Agricultural Science and Technology Co., Ltd. (hereinafter referred to as "Weiyi Agricultural") is a leading agricultural enterprise based in Liangshan, Sichuan Province. In June 2017, the enterprise planned to expand a strawberry planting base of 600 mu (or about 9.88 acres) to increase production and supply, then a funding gap occurred during its operations. Given this, our Liangshan Branch carried out several investigations and finally decided to issue a loan of RMB 14 million to the enterprise according to the industrial targeted poverty alleviation model of "bank + leading enterprise + cooperative + poverty-stricken farmer", which not only solved the urgent capital need of the enterprise, but also reduced its financing cost by 42 basis points. At the end of 2019 when some funds matured, the Branch took the initiative to cut the interest rate by 104 basis points and continued to provide credit funds to support the development of the company.

At the same time, considering that it would be inconvenient for farmers to go for banking services as a result of poor transportation, our Liangshan Branch rolled out the "Easy Loan" product, allowing farmers to request services and withdraw money on the same day. Within just a month or so, the Branch had provided loans of RMB 3.71 million for 36 strawberry growers to purchase planting materials and boost production. In 2019, Weiyi Agricultural was awarded the "Provincial-Level Leading Enterprise". All the 14 registered poverty-stricken households supported by the enterprise had been lifted out of poverty. A total of 196

households worked for the specialized cooperatives affiliated to the enterprise, and their living standard had been further improved.

*"CZBank boasts very high service efficiency. Thanks to their help, our company has expanded our agricultural production base. This boosts the development of specialized cooperatives in the upstream supply chain, creating more jobs for poverty-stricken villagers and helping them get rich."*

—Hu Zongde, Chairman of Dechang Weiyi Agricultural



Photo: The expanded strawberry processing workshop of Dechang Weiyi Agricultural.

## 2. Offering partner financial assistance to boost rural revitalization

CZBank has always been in active moves to carry out a series of financial poverty alleviation activities in a targeted manner to help "build a beautiful countryside". According to available statistics, our Bank has opened about 41 stations for poverty alleviation, including Mengjiaqu Village (Zhuxi County, Shiyan, Hubei Province), Dagang Village (Jinkouhe District, Leshan, Sichuan Province), Lingzidi Village (Dajing Town, Shangluo, Shaanxi Province), and Gaowan Village (Wangpu Town, Tianshui, Gansu Province).

Table: Measures and Effects of Partner Assistance Activities Conducted by Part of CZBank's Branches

Institution	Measures and Effects
Head Office	<ul style="list-style-type: none"> <li>In active response to the special campaign "thousands of enterprises joining hands with thousands of villages for poverty eradication" launched by Zhejiang provincial Party committee, CZBank Head Office and the branches have made joint efforts to provide assistance for 5 economically weak villages in Longyou County, Zhejiang Province. They have also launched a variety of projects including tea project, agritainment tourism project, organic food project and photovoltaic power generation project based on local conditions to drive the village economy. By the end of 2019, a total</li> </ul>

	<p>of RMB 5.5 million has been granted, helping increase each village's collective operating income by RMB 100,000 to 200,000 per year.</p> <ul style="list-style-type: none"> <li>To actively push forward the cooperation between eastern and western regions in poverty alleviation, the Head Office has granted a total of RMB 2 million to financially support 5 villages in Yilong County, Sichuan Province, and will strengthen efforts in the future.</li> </ul>
Hefei Branch	<ul style="list-style-type: none"> <li>At the beginning of its opening, the Branch donated RMB 1 million to Shouxian and Taihu County in Anhui Province for poverty alleviation, and helped Jiangou Village (in Shouxian) build street lamps to benefit more than 3,500 villagers. At the same time, it also has made active efforts in pushing forward the building of Taihu County's village health centers.</li> </ul>
Zhengzhou Branch	<ul style="list-style-type: none"> <li>At the beginning of its opening, the Branch donated RMB 1 million to Guangshan County for poverty alleviation, including constructing a tea processing workshop and directly creating 20 jobs with annual income of RMB 30,000. Indirectly, thanks to the Branch's support, 140 poverty-stricken households started to grow and pick tea, and earned an average annual profit of RMB 4,000 per capita. Also, around 50 poverty-stricken households living in the surrounding areas were encouraged to engage in tea related work, and their average annual income increased by nearly RMB 20,000, bringing good social and economic benefits.</li> </ul>
Wuhan Branch	<ul style="list-style-type: none"> <li>Since 2017, the Branch has been providing assistance for Zhuxi County (in Shiyang), and has paid several visits to the county together with the local chamber of commerce, in order to drive local economy and employment through developing and investing in industries such as traditional Chinese medicine, subsidiary agricultural products, textile processing, healthcare and elderly care. In 2019, it assisted Mengjiaqu Village in expanding the village service center and improving the service infrastructure.</li> </ul>
Chongqing Branch	<ul style="list-style-type: none"> <li>In 2019, the Branch has established an assistance partnership with Chetian Town in Youyang County through various channels including direct donations, procuring special agricultural products and partner assistance with Chetian Town Primary School. In addition, the Branch donated RMB 200,000 to Chongqing Banking and Insurance Charitable Foundation for Poverty Alleviation, and the funds were specially used for the construction of infrastructure in Daya Town, Pengshui County, Chongqing.</li> </ul>



Chengdu Branch	<ul style="list-style-type: none"> <li>Since 2016, the Branch has been providing partner assistance for Dagang Village (Jinkouhe District, Leshan, Sichuan Province), and is in active moves to promote one-to-one assistance between its staff and villagers, as well as to improve infrastructure construction and help the village develop the industries of breeding and planting. It helps children living in the village receive an education, and plans to give priority to them when it comes to employment.</li> <li>In 2019, the Branch provided support for 70 villagers, and gave out more than RMB 90,000 of consolation money and items in total. A targeted loan of RMB 500,000 was granted to support the development of local breeding industry, increasing the beef cattle breeding capacity to 100. The Branch also assisted the village in growing fruit trees.</li> </ul>
Lanzhou Branch	<ul style="list-style-type: none"> <li>Since 2015, the Branch has been providing partner assistance for Cairima Village of Gannan Prefecture, Jiacha Village and Gaowan Village in Wangpu Town of Tianshui. Thanks to the efforts made by Wang Changshan, a dispatched poverty alleviation officer who has been in the village for four consecutive years, these villages have finally been lifted out of poverty.</li> <li>In 2019, the Branch raised a total of RMB 478,000 for poverty alleviation of Gaowan Village through building a bridge, installing 80 solar-powered street lamps, and improving rural infrastructure, etc. Focusing on supporting the locally feasible chicken farming plan, it invested RMB 340,000 and created a model integrating "production, supply and sale", helping increase the income of underprivileged households through the model of "industrial poverty alleviation + consumption-driven poverty alleviation".</li> </ul>
Xi'an Branch	<ul style="list-style-type: none"> <li>The Branch has been providing partner assistance for Lingzidi Village (Dajing Town, Shangluo, Shaanxi Province) and Sanlian Village (Nanfang Town, Xianyang). In 2019, a total of RMB 590,000 was invested to help construct a cultural square of nearly 800 square meters for villagers and improve infrastructure. Besides, a series of measures were taken to alleviate poverty in an all-round way, including giving out cotton-padded clothes to the elderly living on subsistence allowances; purchasing agricultural products from cooperatives in a targeted way to supply the staff canteen and support the villages' collective economy; and employing Mr. Wang (a college student from a poverty-stricken family) for managing the</li> </ul>

	paperwork of his village.
Hangzhou Branch	<ul style="list-style-type: none"> <li>The Branch has been providing assistance for Shanhou Village in Zhanjia Town of Longyou County since August 2018. In 2019, the Branch helped the village reclaim 700 mu (approximately 115 acres) of land and renovate 60 mu (approximately 9.88 acres) of yellow tea plantation, and donated funds for the local water supply project.</li> </ul>
Wenzhou Branch	<ul style="list-style-type: none"> <li>In 2019, the Branch established an assistance partnership with Pushan Village in Zhanjia Town of Longyou County, and invested RMB 600,000 in developing a local accommodation project for parents and children with the aid of Land Leisure Holiday, a third party responsible for the project design, accommodation decoration and customer attraction. The project is expected to start construction in March 2020.</li> </ul>
Taizhou Branch	<ul style="list-style-type: none"> <li>The Branch has established assistance partnerships with villages such as Aoligang Village (Baita Town, Xianju, Zhejiang Province) and Ebian Yi Nationality Autonomous County (Sichuan Province) by purchasing locally special agricultural products in line with the mode of "purchasing instead of donation and direct assistance". The Branch's appointed officers responsible for poverty alleviation work had also paid visits to the villages for many times, showing their care for local people.</li> </ul>

**Case: Providing assistance for an economically weak village through the photovoltaic power generation project**

Considering that Xijia Village (Longyou County) was resource-scarce and featured low collective income, CZBank decided to help the village alleviate poverty through the photovoltaic power generation project. It invested a lot of funds in purchasing available photovoltaic power stations, renting the house roofs, and constructing new power stations on the roof of the village's buildings used as collective property, so as to broaden the sources of collective income. With an investment of about RMB 1.5 million, the project is expected to increase the collective income of the village by about RMB 150,000 per year.



Photo: The villagers received the roof rent payment while saving electricity costs through the

"solar photovoltaic power generation" project based in Xijia Village.

**Case: Lifting 3 poor villages out of poverty through 4 years of efforts**

Wang Changshan, a poverty alleviation officer at CZBbank, has been voluntarily responsible for the poverty alleviation of Cairima Village, the poorest village in Maqu County of Gannan Prefecture since 2015. In the past four years, he successively visited Cairima Village, Jiacha Village and Gaowan Village, with a journey of nearly 200,000 kilometers on the mountain road. Through household visits and targeted assistance measures, he successfully helped Cairima Village reduce the number of people living in poverty to 20 (5 households) in August 2017 from 230 (25 households) at the beginning of 2015, and the poverty rate declined to 0.3% from 18%. He also voluntarily gave up the opportunity of job rotation, but chose to continue to stay, for supporting the poverty alleviation work of Jiacha Village and Gaowan Village. By the end of 2019, the three villages had been lifted out of poverty successively.



Photo: Wang Changshan harvested wheat with a villager of Gaowan Village (left).

Photo: Wang changshan visited the poor families one by one (right).



Photo: Our Chengdu Branch provided assistance for Dagang Village in Jinkouhe District, Liangshan to support the local breeding industry.



Photo: Our Xi'an Branch made the direct supply of agricultural products by Lingzidi Village possible.



### 3. Persisting in educational poverty alleviation aimed at improving intelligence

By its very nature, educational poverty alleviation aims to improve intelligence, and education is the foundation to eliminate poverty. We hope to bring fundamental changes to poverty-stricken areas by improving education. Since its inception, CZBank has always been committed to donating money for education. In addition to material donations, it also focuses on showing care for poor students, and has preliminarily established an educational poverty alleviation mechanism covering "primary schools, secondary schools and universities".

In 2019, our Bank helped 2,815 poor students by donating money for education.

Table: CZBank's Education Poverty Alleviation Programs

<b>Public welfare provided through new branches</b>	<ul style="list-style-type: none"> <li>• CZBank replaced the opening ceremony with the "Young Eagles Flight Plan" (an educational assistance plan for a thousand poor students in Zhejiang) in 2004 when it was established, and donated a total of RMB 5.28 million, thus forming a tradition of encouraging its branches to save costs needed for the opening ceremony to help poor students.</li> <li>• By the end of 2019, CZBank had donated about RMB 20.835 million through canceling the opening and anniversary ceremonies of its new branches.</li> </ul>
<b>"CZBank Rainbow Plan"</b>	<ul style="list-style-type: none"> <li>• The CZBank Rainbow Plan is a large-scale public-spirited educational assistance program jointly launched by CZBank, Zhejiang TV Channel 6 and Zhejiang Sunshine &amp; Dream Realization Foundation, aiming to help poor students across the country through partner assistance and charitable donation.</li> <li>• As of 2019, the program had been conducted for eight consecutive years, and had raised a total of RMB 24.61 million from all walks of life. Of all, our Bank had donated RMB 5.09 million altogether, and supported 23,400 students in pairs.</li> <li>• Now the CZBank Rainbow Plan has become more diversified in terms of the form of assistance. The students can go to summer camp, visit the museum and satellite launch base, and watch table tennis games, etc. This helps broaden their horizons.</li> </ul>
<b>"One bank branch for one primary school" plan</b>	<ul style="list-style-type: none"> <li>• In 2019, based on our more than 10 years of successful experience in supporting Jieguanting Town Central Primary School located in Lueyang County of Shaanxi Province, our Bank issued the Notice on the Establishment of a Long-acting Partner</li> </ul>

Assistance Mechanism for Poverty-stricken Primary Schools, and launched the "One bank branch for one primary school" plan, which required all the available branches to provide partner assistance for poverty-stricken primary schools in a long-term, targeted and all-round way. Thus, a more mature model of "educational poverty alleviation" was created.

- By the end of 2019, our Bank had provided partner assistance for eight schools, including Yuantian Primary School in Liangshan Prefecture, Sichuan Province, and Chetian Town Primary School in Youyang County, Chongqing. We plan to gradually improve these schools' infrastructure, help poor students, and enhance teaching quality to help the students and teachers of those schools.



Photo: CZBank Rainbow Plan - A trip to western Hunan



Photo: Volunteers gave out grants and school supplies to the students of Tuowu Central Primary School in Mianning County, Liangshan



Photo: Our Xi'an Branch has been providing assistance for Jieguanting Town Central Primary School for more than 10 years in a row.



Photo: The Quzhou-based Changshan County Xinchang Primary School supported by our Hangzhou Branch conducted research activities for students during summer

vacation.

#### 4. Innovating services and expanding sales channels

We have built an online purchasing and distribution platform by giving full play to the role of financial institutions as intermediaries. Focusing on offering preferential procurement support to enterprises and providing platform-based services, we directly connect the supply and demand sides through the not-for-profit platform. The platform makes online purchase and distribution of products of planting & breeding enterprises and farmers in poverty-stricken areas possible, helping enterprises and farmers expand sales channels and increase revenue sources.

In November 2019, the platform's Public Welfare Module began trial operation. The first batch of platform users included poverty alleviation-oriented enterprises such as Liangshan Kangli Agricultural Development Co., Ltd. and Liangshan Shanlitao Agricultural Development Co., Ltd., who sold special agricultural products like wild yams and bolete online. By the end of 2019, the Public Welfare Module had obtained 395 orders.



Photo: A list of part of agricultural products sold on the platform

## What we've done in 2019

### CSR Key Performance Indicators

Category	Indicator	Unit	2017	2018	2019
Economic performance <sup>1</sup>	Total assets	RMB (100 million)	15,367.52	16,466.95	18,007.86
	Operating revenue	RMB (100 million)	342.64	390.22	464.47
	After-tax profit	RMB (100 million)	109.73	115.60	131.43
	Total tax	RMB (100 million)	82.94	82.12	75.50
	Return on average assets (ROAA)	/	0.76%	0.73%	0.76%
	Provision coverage ratio	/	296.94%	270.37%	220.80%
	Capital adequacy ratio	/	12.21%	13.38%	14.24%
Environmental performance	Green loans balance <sup>2</sup>	RMB (100 million)	139.89	225.58	538.78
	Loan balance of the "Two High and One Excess" industries	RMB (100 million)	286.13	281.27	332.75
	Number of e-banking transactions	10 thousand	7,281.65	15,729.09	22,514.62
	Rate of e-banking transaction substitution	/	96.95%	98.35%	99.03%
	Total water consumption (Head Office)	ton	38,186	89,442	120,619
	Total electricity consumption (Head Office)	MWh	5,568.913	13,066.811	23,722.391
	Total fuel consumption of	liter	47,568	23,500	18,987

1. IFRS is applied in calculating the economic performance, excluding the total tax. The statistical standard is the consolidate statement including CZBank and all subsidiaries.

2. The 2017 data disclosure standard was updated simultaneously according to the green credit data statistics standard published by the People's Bank of China.

	service vehicles(Head Office)				
Social performance	Customer satisfaction rate of the 95527 hotline service	/	99.81%	99.88%	99.73%
	Number of training programs participated in by employees	Number	2,165	2,377	2,423
	Number of employees participating in the trainings	Number	166,231	297,351	329,164
	Training time per employee	hour	/	/	53.86
	Total number of CZBank employees	Number	13,214	13,620	14,156
	The proportion of female employees at CZBank	/	47.40%	47.40%	47.10%
	Labor contract signing rate	/	100%	100%	100%
	Social insurance coverage rate <sup>3</sup>	/	100%	100%	100%
	Total donations of CZBank	RMB (10 thousand)	/	1,328.60	1,085.50

3.The statistical standard is the head office

## CSR Performance Chronicle

Launch of the "One bank branch for one primary school" plan	Based on our more than 10 years of successful experience in supporting Jieguanting Town Central Primary School located in Lueyang County of Shaanxi Province, our Bank launched the "One bank branch for one primary school" plan, which required all the branches to provide one-to-one partner assistance for poverty-stricken primary schools in a long-term, targeted and all-round way.
Launch of the employee satisfaction survey platform	The CZBank employee satisfaction survey platform is intended for listening to the voices of staff in terms of bank services, products, training satisfaction and subsystems, thus helping improve management and services.
Successful launch of the ABS "XUYUE 2019-1" program for micro and small enterprises	The CZBank "XUYUE 2019-1" ("旭越 2019-1") asset-backed securities (ABS) program issued bonds of RMB 2.333 billion. Such programs offered a green channel for direct financing of micro and small enterprises.
The opening of our branches in Guiyang, Qingdao and Nanchang	The successive opening of our branches in Guiyang, Qingdao and Nanchang in 2019 represented another important measure of CZBank to support the development of China's central and western regions, increase its influence in the Bohai Rim Economic Circle and expand its nationwide network.
Commencement of the first green bond	The first green bond of RMB 5 billion issued by CZBank has been rated as AAA bond by China Chengxin International Credit Rating Co., LTD., and the funds raised will be earmarked for projects of green industries such as environmental protection and energy conservation.
Establishment of "platform-based service" strategy	CZBank established the <i>The Platform-Based Service Strategy</i> as its new development strategy, and will give full play to the advantages of the strategy to constantly promote innovation in both business and business model, so as to help improve the quality and efficiency of the real economy.
A successful listing on the A-share market	CZBank has built the "A+H shares" dually listed platform through a successful IPO on the A-share market, issuing 2.55 billion in new shares to raise RMB 12.597 billion in total.
Launch of the "Yongjin Bill Pool 4.0"	The "Yongjin Bill Pool 4.0" has introduced 8 major features such as delayed issuing of bills, providing enterprises with a systematic online solution enabling double-security-code payment and batch processing of electronic bills. By the end of 2019, the number of bills in the "Yongjin Bill Pool" ("涌金票据池 4.0") accounted for 95% of the total number of bills

	accepted by our Bank, which is made up 99% of total value.
Underwriting the first medium-term note for poverty alleviation	CZBank successfully underwrote the "2019 Second RMB 500 Million Medium-term Note for Poverty Alleviation" of Liangshan Development Holding Group Co., Ltd., which will be earmarked for the agricultural product processing industrial park project in Dechang County. After operation, the project is expected to achieve an annual output value of RMB 1.4 billion and an annual net profit of RMB 285 million.
Launch of the first "staff mutual-help scheme"	The CZBank Head Office innovatively launched the "staff mutual-help scheme", and formulated the <i>Measures for Implementing the Head Office Staff Mutual-help Scheme</i> , in order to solve major difficulties for its staff in the form of mutual assistance and public welfare.



## **Corporate Overview**

### **I. Corporate Profile**

China Zheshang Bank ("CZBank") is a nationwide joint-stock commercial bank approved by the China Banking and Insurance Regulatory Commission ("CBIRC"). Headquartered in Hangzhou, Zhejiang Province, CZBank was listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange respectively in March 2016 and November 2019.

Established with the aim of serving the whole country, the Zhengjiang-based CZBank has been developing steadily since its inception, and has now become an excellent commercial bank with solid foundation, good benefits, boasting rapid growth and sound risk control. By the end of 2019, CZBank had set up 260 branches in 19 provinces (including municipalities directly under the central government) and the Hong Kong Special Administrative Region, operating effectively across the Yangtze River Delta, the Bohai Rim, the Pearl River Delta and certain areas in Central and Western China.

### **II. Corporate Governance**

CZBank has been working to improve the structure of corporate governance, and turns itself an excellent public company. Over the course of 2019, we continued to perfect the corporate governance system, promote the implementation of Party work, facilitate communication with investors, and optimize the structure of the Board and special committees. We had completed dual listing, which helped take our corporate governance to a new height.

#### **1. Improving the structure of corporate governance**

In accordance with the *Company Law of the People's Republic of China*, the *Commercial Bank Law of the People's Republic of China*, the *Basic Standard for Enterprise Internal Control*, the *Basic Standard for Commercial Bank Internal Control* and other laws and regulations, we have established and improved the corporate governance structure comprising shareholders meetings, board of directors, board of supervisors and senior management. Besides, a mechanism with clear responsibilities, orderly and coordinated management, and democratic and efficient decision-making process has been reached, which ensures independent, coordinated and effective operation for all the governing bodies and facilitates mutual cooperation.

In 2019, we had organized 4 shareholders meetings, 10 board meetings and 19 board of directors' special committee meetings to review 162 issues regarding the revision of the articles of association and risk preference policy, issuance of financial bonds and other material issues related to business operation and development. Besides, we had convened 9 board of supervisors meetings and 10 board of supervisors' special committee meetings to review 19 issues regarding performance evaluation for directors, supervisors and senior management, financial management, risk management, internal control and compliance, capital management, liquidity risk management, as well as compensation management system. Meanwhile, 10 supervisor investigations had been arranged.



## 2. Investor relations management

We have developed the measures for investor relations management to deal with related matters through reverse roadshow, investor relations website, telephone, email and etc, so as to answer investors' questions and give feedback in a timely manner. This helps enhance investors' understanding and recognition of our Bank.

Table: CZBank's Investor Communication Data

Quantitative index	Unit	2017	2018	2019
Number of calls received from investors <sup>4</sup>	number	201	268	388
Number of emails replying to investors	number	1,083	1,459	2,108
Number of announcements published <sup>5</sup>	number	48	53	109

## III. Risk control

On the basis of the risk preference of prudence, our Bank takes a series of measures for comprehensive risk management, including improving business entry management, strengthening customer base, optimizing business structure, promoting post-loan management, effectively preventing and defusing risks, facilitating the application of financial technologies, and continuing to boost the construction of a big data-backed risk management system, so as to secure high-quality transformation and development.

### 1. Continuously optimizing the risk management structure

In 2019, through continued optimization, CZBank has built a risk management structure with a clear hierarchy and explicitly defined responsibilities. This mechanism allows hierarchical and line management & control of different risks, and plays a proactive role in providing risk control guidance for each business department, helping improve our expertise and efficiency in this regard.

In order to strengthen line management, our Bank implements the special risk monitoring officer dispatching system. With the system, risk monitoring officers are dispatched to those departments and branches facing high business complexity and relatively high risks. The officers will be responsible for assisting the department heads and branch directors in arranging risk management work, and will conduct business evaluation and prepare risk

4. Due to the upgrading of the telephone hotline in 2019, the statistics standard has changed accordingly, and the data of 2017-2018 have been revised retrospectively.

5. The statistics standard complies with that of CZBank Head Office, covering A share and H share.

reports independently.

## **2.Improving the risk management system and measures**

To prevent and control various kinds of risks such as credit risk, market risk, liquidity risk, operational risk, country risk, bank interest rate risk, reputation risk, strategic risk, IT risk and compliance risk, our Bank has formulated the corresponding basic risk management system and measures which are being constantly improved according to business development and risk management performance, providing a strong guarantee for the sustainable development of our business.

## **3.Promoting the construction of a unified credit management system**

We are working to revise the unified credit management measures and its operating procedures, as well as the operating procedures for credit approval, to determine the type of line of credit, and to improve the procedures for credit line approval and service approving, which will help our Bank strengthen the overall management and control of credit line in an effective manner.

# **IV. Internal control and compliance management**

In line with the philosophy of "internal control and compliant operation first", CZBank has always put a premium on internal control and made "insisting on compliant operation" one of its five business principles for internal control and compliance management. Further, we also focus on continuously optimizing the internal control system, strengthening internal control measures, innovating internal control methods, and enhancing the effectiveness of internal control, so as to steadily improve internal control.

In 2019, we have made clear the basic requirements of "Five Strict (i.e. Strict Governance, Strict Control, Strict Inspection, Strict Accountability, and Strict Punishment)" and deepened the special campaign of "internal control and compliant operation boosts sound growth". We were also on the move to facilitate the work of "2019 – a crucial year for deepening internal control", which enabled us an efficient and technology-based internal control and compliance management system.

## **1.Building the internal control system**

Table: CZBank's Measures on Building the Internal Control System

<p><b>Implementing the long-acting internal control mechanisms</b></p>	<ul style="list-style-type: none"> <li>• Insisting on implementing three long-acting internal control mechanisms including the internal control cycle improvement mechanism, the problem discovery and solving mechanism, and the accountability, evaluation, reward and punishment mechanism</li> <li>• Consolidating and improving the internal control cycle of "idea-system-train-implementation-inspection-rectification-reward-punishment-evaluation"</li> </ul>
--	--

<b>Regulating the establishment of the internal control system</b>	<ul style="list-style-type: none"> <li>Establishing an system management structure featuring hierarchical design, standard classification and hierarchical approval, and thus forming an internal system of "Three Vertical and Four Horizontal"</li> <li>Establishing a complete management process from system approval, drafting, consultation, review, launch to post-evaluation, to ensure closed-loop management of corporate rules and regulations</li> </ul>
<b>Risk control for major industries</b>	<ul style="list-style-type: none"> <li>Updating the key points of operational risk control for major business and processes in real time, identifying and evaluating risks, making clear the control requirements, and strengthening internal control compliance and the prevention and control of operational risks and cases</li> </ul>
<b>Supervision and inspection of major business</b>	<ul style="list-style-type: none"> <li>Continuously improving the day-to-day supervision system across the whole bank</li> <li>Strengthening supervision and inspection of branches at all levels, various products and services</li> <li>Vigorously promoting the special work such as "consolidating achievements in chaos rectification and promoting compliance construction"</li> </ul>
<b>Strengthening the dynamic management of employee behaviors</b>	<ul style="list-style-type: none"> <li>Organizing and conducting investigations on abnormal behaviors of CZBank employees and supervising the performance of important positions</li> </ul>

## 2. Anti-corruption management

CZBank strictly abides by the anti-bribery and anti-corruption requirements set forth in laws, regulations and systems such as the *United Nations Convention against Corruption* and the *Criminal Law of the People's Republic of China*. With a focus on the construction of "corruption-free bank", our Bank endeavored to promote the comprehensive and strict governance internally and continuously push forward the anti-corruption work throughout the year of 2019. Thanks to this, CZBank was free from any major corruption cases.

Table: Anti-corruption Measures Taken by CZBank

<b>Promoting the construction of "corruption-free bank"</b>	<ul style="list-style-type: none"> <li>Issuing the <i>CPC Zheshang Bank Committee's Opinions on Deepening the Implementation of Corruption-free Bank Construction</i> in order to explore and establish long-acting mechanisms</li> <li>Focusing on problem orientation, and conducting inspections on corruption-free bank construction</li> </ul>
<b>Promoting good work styles</b>	<ul style="list-style-type: none"> <li>Promoting a thorough clean-up of undesirable work styles of formalism, bureaucracy, hedonism and extravagance by</li> </ul>

	combining daily supervision with special inspection, targeted supervision with random check, surprise inspection with thorough investigation. In 2019, our Bank had conducted more than 900 thorough investigations
<b>Creating a positive and honest atmosphere</b>	<ul style="list-style-type: none"> <li>Carrying out "Seven Ones" educational activities. In 2019, a total of 2,609 Party members and leaders from CZB have visited the local educational bases and exhibition centers to receive legal and disciplinary education and anti-corruption inculcation in 78 batches</li> <li>Conducting 515 anti-corruption educational activities in the form of anti-corruption training, anti-corruption courses for Party members, collective learning for the bank branches, and special issues on discipline inspection and supervision, attracting a total of 107,500 participants</li> </ul>

### 3. Anti-money laundering management

In strict accordance with the requirements set forth in laws and regulations such as the *Anti-money Laundering Law of the People's Republic of China*, the *Regulations on the Anti money Laundering of Financial Institutions*, the *Measures for the Administration of Anti-money Laundering and Anti-terrorist Financing for Banking Financial Institutions*, we are committed to continuously putting in place and improving the internal control system that is in line with the CZBank development strategy, so as to effectively identify, assess, monitor, control and report money laundering risks, or to prevent such risks.

Table: CZBank's Anti-money Laundering Management Measures in 2019

<b>Optimizing and upgrading the anti-money laundering system</b>	<ul style="list-style-type: none"> <li>In August 2019, our anti-money laundering system integrated successfully with The People's Bank of China's Second Generation of Anti-Money Laundering Monitoring &amp; Analysis System through changing the data interface of Large-Value Transactions or Suspicious Transactions.</li> <li>By the end of 2019, we had carried out 8 large-scale upgrades and nearly 100 functional modifications, and established 31 suspicious transaction monitoring models for telecommunication fraud, illegal fund-raising and terrorist financing. We also developed 68 special rules for separate warning, 264 rules for monitoring other types of suspicious transactions, as well as 724 technical indicators.</li> </ul>
<b>Establishing a customer account monitoring mechanism</b>	<ul style="list-style-type: none"> <li>We have improved a customer account monitoring mechanism featuring real-time customer account &amp; transaction channel screening and warning, and developed the retrospective screening mechanism.</li> <li>By the end of 2019, the mechanism had given early warnings for more than 1.93 million transactions, of which over 1.92 million involve telecom fraud, effectively ensuring fund</li> </ul>

	security for both customers and our Bank.
<b>Improving the system's monitoring capability by using big data</b>	<ul style="list-style-type: none"> <li>We use big data technology to improve the monitoring capability of our system, and develop a series of features such as industrial &amp; commercial data monitoring and comparison, Internet-backed enterprise information verification, and sending reminders when the corporate account opening certificate and the ID card of the legal representative (corporate leader) expire, so as to strengthen the verification of customer identity.</li> <li>We moved to comprehensively promote the work of disabling the expired personal accounts and company accounts, while making the function of online information re-recording available simultaneously, so as to improve the system in terms of customer identity verification.</li> </ul>
<b>Conducting anti-money laundering trainings</b>	<ul style="list-style-type: none"> <li>In 2019, we conducted 247 anti-money laundering training for more than 15,000 trainees, up 22.77% compared to the same period last year.</li> </ul>

#### 4. Protecting intellectual property rights

In compliance with the Trademark Law of the People's Republic of China and other relevant laws and regulations on intellectual property rights protection, CZBank has formulated the *Measures for Trademark Management (for Trial Implementation)* which specifies the trademark management responsibilities & procedures and aims to standardize trademark registration and renewal. We also focus on promoting our products to push forward the work of trademark registration and rights protection.

By the end of 2019, our Bank had successfully registered 415<sup>6</sup> trademarks, including 333 trademarks registered in China and 82 trademarks registered abroad (across 10 countries or regions including the USA, the UK, France, Germany, Switzerland, Singapore and Japan).

##### **Case: CZBank's five blockchain-based technologies got registered**

CZBank has now developed 5 blockchain-based key technologies. Besides applying the blockchain technologies to the platform "Accounts Receivable Chain", we have also used the technologies for supporting financial services like oil trading, financial products trading and interbank trading, and have innovatively build multiple blockchain-based financial service platforms including "Manifest Connect" and "Tongyouyi".

In 2019, thanks to a batch of blockchain technologies of us, we were approved as the first batch of blockchain information service providers by the Cyberspace Administration of China, becoming the bank offering the most blockchain information services among peers. One of the technologies - "A blockchain-based key management system and method" - was granted

6. Taking the receiving of registration certificate as the statistical standard

the invention patent by the State Intellectual Property Office of the People's Republic of China, and the platform "Accounts Receivable Chain" received the People's Bank of China's Prize for Banking Technology Development.



Picture: Patent Certificate of CZBank's Blockchain Technology

## V.Honors and Awards

Prize awarding institutions	Award
The Banker	Ranking the 107th among the "Top 1000 World Banks 2019" (in terms of tier-one capital) Ranking the 98th among the "Top 1000 World Banks 2019" (in terms of total assets)
Zhejiang Provincial People's Government	First Prize for the Excellent Institution Supporting the Economic and Social Development of Zhejiang the Excellent Institution Supporting the Development of Private Businesses and MSEs the Excellent Institution in Reform and Innovation The Award 2019 for Outstanding Contributions to Zhejiang's Projects Going through Smooth Financing
Hangzhou Branch of the People's Bank of China	Bank Receiving the Highest Private Enterprise Satisfaction
China Banking Association	The Best Inclusive Finance Efficiency Award
China Financial Certificate Authority	The Best Mobile Banking Interaction Experience The Best Smart Financial Platform "Bronze Award for Innovative Application" received in China Fintech Innovation Competition 2019
The 14th Asia Brand Ceremony	Top 500 Brands in Asia Top 10 Innovation Brands 2019 in Asia
The Asset magazine	The Best Foreign Currency & Bond Investment Institution 2019 in Asia
A'DESIGN AWARD & COMPETITION	Silver A' Design Award for CZBank's "Brand Refresh" Project
CGMA(Chartered Global Management Accountant)	The Best Shared Service Center China of the Year 2019

SSON( <i>The Shared Services and Outsourcing Network</i> )	Outstanding Transformation Award
Financial Times	The Best Poverty Alleviation Facilitation Bank of the Year
China Network	Outstanding Financial Poverty Alleviation Pioneer & Targeted Poverty Alleviation Pioneer
Sina Finance	The Most Distinctive Mobile Banking Platform
The 21st Century Business Herald	The Most Competitive Asset Management Bank The Bank with Excellent Performance in 2019
Securities Times	Junding Award 2019 for the Bank Asset Management Brand of China Tianji Award for the Bond Underwriting Bank 2019 Tianji Award for Universal Investment Banking Business
Securities Daily	The Best Blockchain Application Award
the Economic Observer	the Star of Social Responsibility Fulfillment
Hexun.com	Technology Innovation Bank of the Year
JRJ.com	National Commercial Bank Brand Award
China Business Journal	The Bank for Excellent Competitiveness Brand Building
JOBS	Top Human Resources Management Award
ChinaHR.com	Employer Brand Innovation and Development Award
ATA.NET.COM	The Best Practice Award 2019 for Global Talent Sourcing

## I. Long-term and stable social responsibility management

### A. Ideology of CZBank's social responsibility work

Correctly deal with the relationship between self-development and external environment, insist on the essential requirements on finance serving the real economy, vigorously carry out green finance, inclusive finance and scientific finance services, conduct compliant operations according to law, strengthen protection of consumer rights and interests, boost construction of ecological civilization, fulfill effectively the corporate social responsibility, and actively build up the excellent corporate citizenship image.

### B. Social responsibility management

In order to promote the institutionalized and standardized management of social responsibility, CZBank issued the *Administrative Measures on Social Responsibility Management of CZBank* in 2018, making clear the organizational structure for social responsibility management, division of responsibilities and specific work content. We are also working to promote the communication and ability improvement when it comes to performing the social responsibility work through conducting special trainings on a regular basis.

The Head Office is the centralized administrative department of social responsibility fulfillment, and is responsible for promoting social responsibility management and organizing the preparation of social responsibility reports. The office of each branch is the competent department of social responsibility fulfillment, and takes responsibility for conducting social responsibility work of its subordinate institutions. Also, the relevant departments of the Head Office will provide assistance for the fulfillment of social responsibility.

In 2019, for the first time, our Bank started to sort out the social responsibility indicators in accordance with the Hong Kong Stock Exchange's *Environmental, Social and Governance Reporting Guide* to keep pace with our excellent peers. We had determined more than 300 indicators covering economic, environmental and social dimensions, and clarified the statistical scope, statistical method and reporting procedure of each indicator. We also began to prepare the *CZBank Environmental, Social and Governance Indicator System & Handbook* to improve the social responsibility management and practice.

### C. Communication with the stakeholders

CZBank attaches great importance to the communication with stakeholders, constantly enriches the means of communication, listens carefully to the opinions and feedback from relevant parties, and takes effective measures to sincerely respond to the concerns and appeals of stakeholders in a timely manner.

#### 1. Building a stakeholder communication platform

Stakeholders	Expectations and appeals	Means of communication	Responsive measures
The government	Implementing	• Meetings, daily	Responding to



	macroeconomic policies Promoting the local economic development Ensuring continued and steady operation Paying tax in accordance with law	<ul style="list-style-type: none"> <li>communication and reports</li> <li>Information reporting</li> </ul>	national strategies Serving the real economy Developing the inclusive finance Promoting the poverty alleviation
Regulatory institution	Legal and compliant operation Fulfilling regulatory requirements Maintaining financial stability	<ul style="list-style-type: none"> <li>Meetings, daily communication and reports</li> <li>Information reporting</li> </ul>	Regulating corporate governance Strengthening risk control Protecting customer rights and interests
Shareholder and investor	Ensuring continued and steady operation Improving profitability Increasing shareholder returns Enhancing company value	<ul style="list-style-type: none"> <li>Periodic reports and information disclosure</li> <li>Shareholder meetings</li> <li>Investor meetings</li> <li>Daily communication</li> </ul>	Regulating corporate governance Strengthening risk control Maintaining stable returns
Client	Improving service quality and efficiency Offering various financial products Ensuring information and fund security Expanding service channels	<ul style="list-style-type: none"> <li>Service hotline:95527</li> <li>Online customer service</li> <li>Customer satisfaction survey</li> <li>Regular customer visits</li> </ul>	Improving customer experience Innovating products and services Innovating financial technology Protecting customer rights and interests Publicizing financial knowledge
Employee	Protecting employee rights and interests Improving compensations and benefits Vocational training and development Working environment	<ul style="list-style-type: none"> <li>The staff and workers' congress</li> <li>Satisfaction survey platform</li> <li>Visiting and showing care for employees</li> </ul>	Protecting employee rights and interests Promoting employee growth Caring for the employee's living quality
Supplier	Fair and transparent procurement	<ul style="list-style-type: none"> <li>Daily communication</li> </ul>	Promoting responsible

	Mutually beneficial cooperation	<ul style="list-style-type: none"> <li>Centralized purchasing</li> <li>Annual supplier evaluation</li> </ul>	purchasing Regulating supplier management
Media agency	Regular information disclosure Covering significant activities	<ul style="list-style-type: none"> <li>Issuing reports on a regular basis and providing news material</li> <li>Convening press conferences and forums</li> <li>Surveys and interviews</li> <li>Daily liaison</li> </ul>	Regular information disclosure Multi-channel information dissemination
Community	Caring for disadvantaged groups Organizing public welfare activities	<ul style="list-style-type: none"> <li>Charitable activities</li> <li>Community communication</li> </ul>	Promoting the poverty alleviation Promoting public service activities Publicizing financial knowledge
The environment	Low-carbon environmental protection Sustainable development	<ul style="list-style-type: none"> <li>Improving the environmental protection policies</li> <li>Expanding eco-friendly services</li> <li>Environmentally responsible public welfare activities</li> <li>Disclosure of environmental performance information</li> </ul>	Developing green finance Insisting on eco-friendly operation Conducting eco-friendly public welfare activities

## 2. Assessing important social responsibility issues

Based on the needs of stakeholders, we had identified relevant social responsibility issues from the perspective of national policies, strategic positioning, operational priorities and social hot topics in 2019, and had conducted questionnaire surveys on stakeholders to assess the importance of these issues and finally determine the following issues disclosed in this report.

Table: CZBank Important Issue Analysis Process

<b>1: Identifying</b>	By analyzing the main social responsibility standards and indicators at home and abroad, as well as relevant policy requirements of the government, we had
---------------------------	--

	identified 37 meaningful social responsibility issues according to the development strategy and planning of our Bank.
<b>2: Assessing</b>	We had conducted questionnaire surveys on stakeholders including shareholders, investors, customers, employees and suppliers, asking them to prioritize the above issues initially identified. A total of 7,963 valid questionnaires were collected in 2019.
<b>3: Order of importance</b>	Based on the assessment results, we had constructed an analysis matrix, determined the priority of the issues, and disclosed key issues of high importance.

### 3. Important social responsibility issues



Figure: Analysis Matrix for Important Issues of CZBank

## II. Keeping the mission of serving the real economy in mind

The development of the real economy depends largely on the support of diversified financial products and services, and the sustainable development of the financial industry is also inseparable from the steady development of the real economy. In strict accordance with the *Commercial Bank Law of the People's Republic of China* and other relevant laws & regulations and systems, CZBank sees serving the real economy as its mission towards development, and continuously innovates financial products and services to support major national strategies, industrial transformation and upgrading, and the development of inclusive finance, so as to boost high-quality development of the real economy.

### A.Serving the national strategies


Over the course of 2019, CZBank had taken resolute action to implement the major decisions and arrangements made by the Party Central Committee, the State Council and regulators on serving the real economy, and promoting the financial supply-side structural reform, and provided active support for major national strategies and projects, including the Belt and Road Initiative, the Integrated Development of the Yangtze River Delta, and the "Made in China 2025", in a bid to constantly improve the service quality and efficiency for the real economy.

#### 1.Underpinning the Belt & Road construction and China's opening up

In active response to the Belt and Road Initiative and leveraging the advantages of pooled financing and other platform-based services as well as innovative products, CZBank Hongkong Branch has worked with the branches in mainland China to provide domestic enterprises with comprehensive cross-border financial services integrating "payment, settlement, remittance and exchange, guarantee and financing", so as to help enterprises "go global".

Table: CZBank Providing Support for the Belt & Road Products and Services

Innovating products and services	Achievements made in 2019
<b>Solving the problem of remittance</b> Promoting "Yongjin Global Transfer" product (including SWIFT-GPI, Receipt in Full and Yibibaihui) to help enterprises improve the efficiency of remittance service and reduce the cost	We have effectively solved the problems of delayed money arrival, non-transparent service charges and difficult minor currency exchange in China and etc. when domestic enterprises remit money to countries and regions along the Belt and Road.
<b>Dealing with exchange rate fluctuation</b> Promoting the "Zheshang Huiliying" product series for foreign exchange trading on behalf of clients, and the "Zheshang Trading Treasure" which is a full functional online foreign exchange trading platform, to help enterprises manage the exchange rate fluctuation risk and	By the end of 2019, the value of foreign exchange transactions taking place on "Zheshang Trading Treasure" had exceeded 10 billion dollars, accounting for more than 20% of the total foreign exchange transaction value of our Bank.

achieve risk-off appreciation	
<b>Offering liquidity services for the foreign trade industry</b> Promoting the "Yongjin Export Pool" to revitalize the foreign trade assets of enterprises and provide them with all-round liquidity services	By the end of 2019, our Bank had provided foreign exchange liquidity services for nearly 4,000 enterprises, and helped them revitalize export receivables and other sunk assets worth nearly RMB 100 billion.
<b>Special export insurance-based financing</b> Expanding the service of special export insurance-based financing to provide short-term financing services for exporters holding export documents and insurance certificates for the trade of goods or services that have been insured by Sinasure	By the end of 2019, we had provided USD \$11.81 million in special insurance-based financing to two large companies.
<b>Overseas loan under domestic guarantee</b> This is a service for domestic enterprises in China to apply for a letter of guarantee from our Bank. Then the overseas bank will extend loans to an overseas special-purpose company for overseas project acquisition.	By the end of 2019, our Bank had provided the financial service of "overseas loan under domestic guarantee" for enterprises "going global", issuing loans of more than RMB 10 billion.
 <p>Photo: The Nepal-based project built by Huaxin Cement Co., Ltd.</p>	 <p>Photo: The advanced payment guarantee was issued for the ships of China COSCO Shipping Group's bauxite project.</p>

## 2. Bolstering the coordinated regional development

As a national joint-stock commercial bank headquartered in Zhejiang, CZBank is committed to providing full support for national strategies such as the "Integrated Development of the Yangtze River Delta", the innovative development of the China (Zhejiang) Pilot Free Trade Zone, and the construction of the marine economic development demonstration zone. In addition to pushing forward the construction of the Greater Bay Area, Grand Garden, Open Corridor and Metropolitan Area, we are also working to serve 5 one-hundred-billion investment projects in the fields of digital economy, health care, high-end equipment, cultural tourism and energy conservation, to fuel the development of manufacturing industry, and to actively promote the business of "talent bank", so as to boost

the economic and social development of Zhejiang. By the end of 2019, our Bank's total loan balance within Zhejiang Province reached RMB 349 billion, representing an increase of RMB 95.9 billion or 37.89% from the beginning of the year. The provincial loan increment accounted for 58.35% of the total increment of our Bank.

At the same time, we continue to pay attention to the financial needs of the Guangdong-Hong Kong-Macao Greater Bay Area, the central and western regions and Northeast China, in a bid to make contribution to the coordinated development of regional economy by increasing credit support and optimizing the layout of the branches and etc.

- **Supporting the development of the Yangtze River Economic Zone**

**Case: The opening of Nanchang Branch helps Jiangxi achieve high-quality leapfrog development**

Following the opening of Wuhan Branch, Changsha Branch and Hefei Branch, our Nanchang Branch was officially established on October 17, 2019, marking another important measure taken by CZBank to serve the rising of the Yangtze River Economic Zone and China's central region. During the trial operation, the Branch had granted a total of RMB 35 billion loan to 64 local enterprises. Prior to the establishment of Nanchang Branch, the Jiangxi Provincial People's Government had signed a strategic cooperation agreement with CZBank to provide financing support for the economic development of Jiangxi Province, and to provide comprehensive and high-quality financial services for the province's economic restructuring, industrial transformation and upgrading, and construction of major projects. At the opening ceremony, the Branch signed strategic cooperation agreements with well-known enterprises such as Jiangxi Provincial Expressway Investment Group Co., Ltd. and Jiangxi Fangda Steel Group Co., Ltd.



Photo: The bank-enterprise strategic cooperation agreement signing ceremony

- **Underpinning the development of Northeast China**

**Case: Providing a regionally leading enterprise with the platform-based service combination solution to help drive its transformation**

Minerals Yingkou Medium Plate Co., Ltd. is a key enterprise engaged in iron & steel manufacture with 40 years of experience in medium and thick steel plate production, and it is the biggest thick plate exporter in China for 6 consecutive years. Relying on the "bills pool + Accounts Receivable Chain" platform-based service combination solution, our Shenyang Branch has helped the company revitalize a large number of available notes to increase financial revenues, and enabled the company's upstream suppliers to collect account receivables within 2-3 days. By the end of 2019, the company had a business cluster of 167



institutions, with total account receivables worth RMB 294 million, confirmed receivables of RMB 180 million, repurchased receivables of RMB 17,800, creating more than RMB 3.8 million financial income.



Photo: The sand table model of the company's steel factory

- **Supporting the development of China's western region**

**Case: Underpinning the development and construction of the intelligent railway system in China's western region**

Gansu Railway Construction Investment Group Co., Ltd. is a provincially controlled railway project development company and a key enterprise engaged in the Belt & Road rail transit development. In 2019, our Lanzhou Branch had taken a series of customized measures including issuing special bonds, the equity investment plan, perpetual bond financing, as well as the market-oriented debt-to-equity swap and insurance investment cooperation plan to meet the company's capital needs, and had also introduced strategic investors, provided the asset liquidity supporting plan, and tailored poverty alleviation & green finance debt financing tools for the company. The Branch had also applied for and approved the comprehensive credit line of RMB 2 billion for China Lanzhou Passenger Dedicated Railway Line Co., Ltd., a subsidiary project company of Gansu Railway Construction Investment Group Co., Ltd.

### **3. Bolstering the industrial transformation and upgrading**

To follow the manufacturing industry trend towards high-end and intelligent manufacturing as well as cater to both supply and demand parties, CZBank has set up a professional team to better explore the financial service needs of companies engaged in intelligent manufacturing, innovatively launched a portfolio of dedicated financial products and services of performance certificate, Installment Connect and Direct Renting Connect, and has worked out the whole-process "funds, assets and services financing" systematic financial solution for intelligent manufacturing. All these efforts have effectively supported the intelligent transformation and upgrading of the manufacturing industry, and CZBank has therefore become China's first and the only bank that builds the "intelligent manufacturing service" brand.

By the end of 2019, our Bank had raised over RMB 300 billion in financing for 1,600 intelligent manufacturing enterprises in China, about 90% of which are private businesses.

**Case: Direct Renting Connect Powers the Intelligent Transformation of Manufacturing Enterprises**

Zhejiang Shenfa Bearing Co., Ltd. (hereinafter referred to as "Shenfa Bearing") is one of the leaders in China's sliding bearing industry who focuses on the production of high-end and customized sliding bearing products for rotating machinery such as nuclear-powered machines, military machines, and gas turbines. Its products have been included into the National Spark Program and the National Torch Program, and has won many other awards.

In recent years, Shenfa Bearing has invested more than RMB 10 million in new equipment procurement and intelligent transformation, and has used its own funds combined with part of loans to meet the capital needs. In June 2019, Shenfa Bearing planned to purchase machine tools from Zhejiang Kaida Machine Tool Co., Ltd. (hereinafter referred to as "Kaida Machine Tool"). Since this was a large-value transaction, Kaida Machine Tool required full payment by Shenfa Bearing in cash or in the form of bank note before delivery. To help Shenfa Bearing solve the problem of short-term fund shortage and reduce financing costs, our Bank launched the "Direct Renting Connect" financial service product after careful investigation, allowing Shenfa Bearing to obtain machine tools by "renting instead of purchasing". In this way, the Shenfa Bearing's pressure of one-time payment was relieved, the input VAT for the full-amount interest was deducted, and the rate of rent was reduced by about 11.5% compared with direct loan. As a result, Shenfa Bearing realized reasonable tax saving, and its partner Kaida Machine Tool improved the efficiency of capital utilization through one-time cash withdrawal.

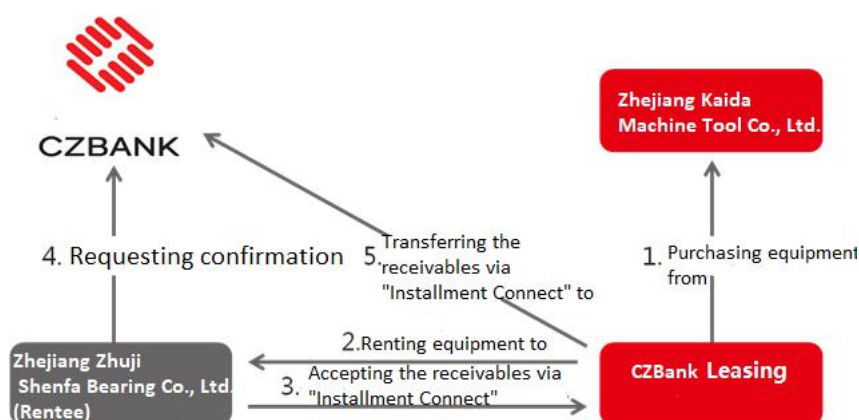


Figure: The Process of Innovative Financial Service Program Direct Renting Connect

## B. Fueling the growth of private businesses

As a joint-stock commercial bank with private capital as the main capital type and private businesses as the client base, CZBank, by its very nature, sees serving the private economy as its major responsibility. Focusing on the needs of private enterprises, we have been long studying the characteristics of the private economy, and innovating products and services in a targeted way, so as to improve the quality of services offered to private enterprises.

By the end of 2019, private enterprises accounted for 64.2% and 64.02% respectively in terms of corporate loan application and on- balance-sheet & off-balance-sheet financing. We had raised a total of RMB 890.909 billion for private enterprises.



Table: Measures Taken by CZBank to Better Serve the Private Businesses

<b>Improving the internal organizational system</b>	<ul style="list-style-type: none"> <li>Setting up a leading group to support the healthy development of the private economy</li> <li>Issuing the <i>Opinions on Supporting the Development of Private Economy</i>, and providing comprehensive and systematical services for private enterprises by taking 40 specific measures regarding credit granting and service model innovation</li> <li>In early 2019, issuing the <i>Notice on Clarifying Service Targets of Private Enterprises in 2019</i> to specify the annual targets of services provided for private enterprise from the perspective of legal person</li> </ul>
<b>Increasing credit granting</b>	<ul style="list-style-type: none"> <li>Giving priority to financing needs of key areas such as digital economy, intelligent manufacturing, eco-friendly manufacturing and the upgrading of traditional industries</li> <li>Innovating the model for credit granting, introducing private enterprise credit granting policies, and supporting unsecured private enterprise financing</li> </ul>
<b>Upgrading the financing platform</b>	<ul style="list-style-type: none"> <li>Upgrading the three platforms of "pooled financing, Accounts Receivable Chain and Yiqiyin", revitalizing the private enterprises' sunk assets, and improving their internal resource allocation efficiency</li> <li>Promoting the application of online supply chain finance credit granting model to solve the difficulties in credit granting of private enterprises</li> </ul>
<b>Broadening the channel of direct financing</b>	<ul style="list-style-type: none"> <li>Promoting the private enterprise bond financing supporting tools, and increasing credit support and mitigating risks for private enterprises maintaining normal operations but encountering temporary liquidity difficulties, by means of selling credit risk mitigation tools, guaranteed credit enhancement and etc.</li> </ul>
<b>Promoting service fees reduction</b>	<ul style="list-style-type: none"> <li>Greatly reducing the service fees paid by the private enterprises and effectively lowering financing costs borne by private enterprises and MSEs</li> </ul>

**Case: "H+M" credit granting model helps unclog the industry chain capital bottlenecks**

CHINT Electronics Co., Ltd. is a well-known listed company engaged in the R&D, production and sale of low-voltage electrical equipment and photovoltaic power generators. Since the make to stock (MTS) strategy often results in seasonal capital fluctuations, plus uncertain account receivables collection period, its upstream suppliers had to ask for temporary fund turnover. According to the status quo of the industry chain and the characteristics of accounts receivable collection, our Wenzhou Branch had innovatively developed the "H+M" credit granting model for CHINT Electronics' upstream and downstream suppliers based on the platform "Accounts Receivable Chain ", and had capitalized on the enterprise' payment ability to lower the financial costs across the whole industry chain. This

helped the suppliers revitalize accounts receivable, gain working capital in advance and reduce financing costs.



Photo: CZBank's "H+M" credit granting model helps CHINT Electronics revitalize capital.

**Case: "Asset pool + Fast electronic L/C (letters of credit) issuing" solves the pain points of private enterprises**

As the largest private steel enterprise in China, Jiangsu Shagang Group is faced with two issues during day-to-day operation: firstly, some of its subsidiaries find it hard to obtain bank credit due to a short operating history and small amounts of assets; secondly, the prices of bulk commodities such as imported iron ores fluctuate greatly, and the traditional L/C (letters of credit) issuing process is cumbersome and time-consuming, which combined often leads to locking in the commodity prices. To overcome the pain point of Jiangsu Shagang Group, CZBank has launched the business model of "asset pool + fast electronic L/C (letters of credit) issuing", allowing L/C issuance to be done within an hour compared to previously two working days, through asset pool quota adjustment and business approval and handling, etc. Meanwhile, our Bank handles the L/C issuance applications of the enterprise at any time, and informs it of the progress and achievements of each business process in real time. Upon the successful issuance of the L/C, the enterprise will receive SMS and email notifications in real time. By the end of 2019, we had issued a total of 67 letters of credit worth about \$79.68 million for subsidiaries of Jiangsu Shagang Group, helping them truly realize fast and paperless import L/C settlement in real time.



Photo: Jiangsu Shagang Group's slag powder production line

**Case: Leveraging the "distribution link asset pool" to improve the liquidity services offered to private enterprises**

As an A-share listed private company, Realcan Pharmaceutical Group Co., Ltd trying to slow debt growth, improve the efficiency of capital use, and build a loyal and stable client base

throughout the upstream and downstream supply chain, while ensuring its sales growth. Given this, CZBank had built an online distribution platform for the enterprise relying on the platform "Accounts Receivable Chain" and the "distribution link asset pool". Leveraging the "1+N" & "A+B" credit granting model, we had provided a package of online comprehensive supply chain financial services including financing, settlement and capital management for the member companies included in Realcan's pharmaceutical industry financial ecosystem. Such model helps Realcan revitalize the accounts receivable, and downstream hospitals prolong the payment days for Realcan. Meanwhile, the problem of difficult and expensive financing for upstream pharmaceutical factories has also been solved, ensuring loyal upstream and downstream cooperation throughout the supply chain.

## **C. Practicing inclusive finance**

Developing inclusive finance is indispensable for improving people's livelihood and serving micro and small businesses. CZBank has fully and actively implemented relevant national inclusive finance policies, the requirements of Zhejiang Provincial Party Committee and Zhejiang Provincial People's Government on Micro and Small Enterprises (MSEs) finance, and the requirements of the "three-year growth plan for MSEs". It is committed to continuously promoting inclusive finance and providing assistance for MSEs, farmers and other special groups.

### **1. Serving micro and small enterprises**

By its very nature, the initial mission of CZBank is to provide financial services for micro and small enterprises, and it does so as always. Relying on the advantages of its platforms, CZBank focuses on innovating products and services and unwaveringly promoting financial services for MSEs.

By the end of 2019, the national-standard micro and small enterprises loan balance of our Bank reached RMB 232.352 billion, accounting for 22.78% of the total loan balance, and up 13.59% or RMB 27.806 billion from the beginning of the year. To date, we have served 303,800 MSEs and have 161 specialized institutions to serve MSEs in place, creating employment for more than 5 million people.

Table: Measures Taken by CZBank to Serve MSEs

<p><b>Perfecting the service guarantee mechanism for MSEs</b></p>	<ul style="list-style-type: none"> <li>• Since 2006, we have set up the "5+1" dedicated team at all the branches, and formulated a dedicated credit plan for MSEs to guarantee credit granting. We have also moved to increase the weight of evaluation and implement the liability exemption mechanism, so as to encourage and empower our employee in terms of loan issuance services.</li> <li>• We have set up the inclusive finance department, the</li> </ul>
---	---

	inclusive finance development committee for the Board of Director and the inclusive finance management committee for the Head Office to promote the inclusive finance related work.
<b>Innovating products and services to meet clients' needs</b>	<ul style="list-style-type: none"> <li>We aim to continuously strengthen the application of innovative products including loans for "mass entrepreneurship and innovation", Intelligent Manufacturing Loan and Technology Innovation Loan, and focus on providing support for MSEs addressing the emerging industries.</li> <li>We also launch the "standard factory loan" to meet the financing need of MSEs' to buy and rent the standard factory, helping drive the development of MSEs located at the industrial park.</li> </ul>
<b>Using fintech to improve service efficiency</b>	<ul style="list-style-type: none"> <li>We provide MSEs with 24/7 services relying on the Internet platform, big data technology and other financial technologies, and promote the online micro and small loan process to offer one-stop financial services for MSEs.</li> </ul>
<b>Service fee and interest rate reduction helps clients save costs</b>	<ul style="list-style-type: none"> <li>Our Bank has moved to implement various preferential service fee reduction measures, expand the applicability of preferential service fee reduction, and take the initiative to bear such costs as assessment fee and registration fee occurred during the loan process.</li> <li>We roll out innovative products such as Revolving Loan, Three-year Loan, Easy Loan and Repayment Link, so as to streamline the process of loan renewal and help clients save the cost of on-lending.</li> </ul>
<b>Continuously piloting the "talent bank" model</b>	<ul style="list-style-type: none"> <li>According to the differentiated investment and financing needs of high-level talent, we provide comprehensive services including start-up loan, trade settlement, M&amp;A and restructuring and etc.</li> </ul>

**Case: Launching the "standard factory loan" to boost the development of MSEs based in the industrial park**

YOME'S is a food company mainly engaged in the provision of pre-packaged and bulk food for major supermarket chains in downtown Chongqing, with a large distribution network covering most of the districts and counties in Chongqing. Due to the remoteness of the company's original factory, high logistics costs and the bottleneck encountered in the expansion of production capacity, the company decided to relocate the factory to an industrial park, but it was then facing the problem of high relocation costs. Considering this, CZBank launched the "standard factory loan" to help the company solve the problem. After a successful relocation, the company's sales revenue had increased to RMB 90 million from RMB 30 million. It had also expanded the online & offline sales networks to Southwest China and many other areas nationwide.



Photo: An employee at YOME'S was packing the products at the factory.

**Case: CZBank launched the Intelligent Manufacturing Loan to drive the development of intelligent manufacturing enterprises**

Zhejiang Rifa Textile Machinery Co., Ltd. (hereinafter referred to as "Rifa") is one of the high-growth private enterprises producing textile machinery domestically, with a nationwide sales network and a customer base mainly comprising small-sized production enterprises and self-employed entrepreneurs. The fact that these micro and small enterprises could not afford to purchase textile machinery in full amount had indirectly exerted a negative impact on Rifa that planned to expand its sales.

Luckily, the Intelligent Manufacturing Loan launched by CZBank well catered to the need of Rifa, which not only provided a solution to capital shortage of downstream buyers, but also increased Rifa's sales revenue without increasing credit sales. In this way, those micro and small enterprises who couldn't afford the equipment at first were able to get equipment for production through financing. By the end of 2019, CZBank had granted loans of more than RMB 100 million to 53 micro and small enterprise partners of Rifa through the Intelligent Manufacturing Loan, helping Rifa become a leading enterprise in the industry.



Photo: Rifa workshop

**2. Actively providing support and assistance for farmers**

At the core of modern economy, finance plays an important role in promoting agricultural development, rural prosperity and increasing farmers' income. CZBank has launched an innovative model serving the "agriculture, rural areas and farmers", and is working to promote other models such as the "farmer loan", "machinery equipment mortgage loan", as well as the "supplier loan", "dealer loan" and "franchisee loan" for upstream and downstream agricultural enterprises. The Bank has also piloted the "housing mortgage loan" in places like Wenzhou and

Lishui to help revitalize farmers' housing assets, so as to increase farmers' income.

By the end of 2019, both the same-caliber agriculture related loans and the inclusive agriculture related loans had exceeded the targets set forth in our Bank's annual loan increment plan, of which the balance of the agriculture related loans was RMB 158.434 billion, up RMB 23.932 billion from the beginning of the year, and the balance of the inclusive agriculture related loans reached RMB 23.130 billion, up RMB 4.014 billion from the beginning of the year.

**Case: Joining hands with an e-commerce company to drive the development of farmers**

Xi'an Micro Monkey E-commerce Co., Ltd. (hereinafter referred to as "Micro Monkey") is an e-commerce company that mainly sells feed, seeds and other breeding products online. At present, the company has established partnerships with more than 2,000 farms, boasting an extensive client base. In order to effectively promote the business development of the parent company and enhance client loyalty, Micro Monkey actively sought cooperation with financial institutions. Given this, CZBank arranged for a team to visit the company for field research, and provided customized services after having a detailed understanding of the company's needs. We had also helped solve the financing problem for pig farmers from the e-commerce platform, thus receiving high recognition from the company.

**Case: Bolstering the north-to-south grain transport project implemented by the National Grain Trade Center**

As the main organization and settlement institution for policy-based grain and oil trading, the National Grain Trade Center is responsible for the establishment, maintenance, promotion and operation management of the national grain electronic trading platform, with an annual trading volume of nearly RMB 300 billion. It has seen the trading volume of the platform continues to increase due to the introduction of grain trade. Through exploring the application of "block chain + grain industry", CZBank has cooperated with the National Grain Trade Center to connect the block chain technology platform with the Center's electronic trading platform system and storage & logistics system. This will help customize products and business models for the National Grain Trade Center and its upstream and downstream clients. For example, the product "Huinongtong" integrating blockchain-based Warehouse Receipt Link and Order Link provides a complete set of processes from order delivery, grain inspection and warehousing, fundraising and supervision to payment, redemption and delivery, allowing online warehouse receipt financing and helping solve the problem of difficult, slow and expensive financing in the food industry, so as to promote the realization of the National Grain Trade Center's appeal for north-to-south grain transport. On this basis, the National Grain Trade Center can establish partnerships with large grain farmers, and realize online financing to benefit farmers relying on the product 'Distribution Link', so as to connect its upstream clients with downstream clients.

## **D. Innovating financial technologies**

Based in Hangzhou, which is an ideal place for Internet technology development, and with the Head Office located near the Qiantang River, CZBank continues to increase investment in financial technologies, actively explores the in-depth integration of cutting-edge technology



and banking business, and takes the lead in the innovation of fintech products and service models, so as to establish itself a leading fintech innovation brand.

## 1.Attaching great importance to fintech investment

Our Bank attaches great importance to the investment and development of fintech, and strives to build the "technology bank" by improving business layout, organizational mechanism, talent introduction and business cooperation.

Table: CZBank Fintech Management Mechanism

<b>Business guidance</b>	<ul style="list-style-type: none"> <li>Promoting the implementation of the "<i>CZBank information technology development plan (2016-2020)- π plan</i>", and working to build the IT infrastructure, system architecture, technology platform, application system and management mechanism that meet the actual situation and can drive business growth of our Bank</li> </ul>
<b>Organizational structure</b>	<ul style="list-style-type: none"> <li>Establishing the information technology management committee with the bank president as the chairman</li> <li>Setting up the fintech department responsible for system planning, design, development and testing, production and operation, big data-based analysis, information technology risk management and technological design for the whole bank</li> </ul>
<b>Talent security</b>	<ul style="list-style-type: none"> <li>Focusing on the introduction of high-level technology talents, we had conducted on-campus recruitment at 22 universities in 14 cities in 2019, with internships offered, and carried out general recruiting opened to the job market throughout the year</li> </ul>
<b>Business coordination</b>	<ul style="list-style-type: none"> <li>The fintech department of our Bank has collaborated with the business department to develop a model of rapid innovation for the integrated management of "product demand, design, development, test and acceptance", so as to jointly promote the development of platform-based services and products</li> <li>Through concerted efforts of the Head Office and all the branches, the fintech department has developed relevant systems for the branches to boost the local characteristic business, and has customized the electronic loan process from process approval, financial approval to equipment procurement</li> </ul>

## 2.Promoting platform-based transformation

With the strategic goal of building a "platform-based service bank" focused on technology, finance, industry and client, CZBank is committed to continuously promoting the innovation of cutting-edge technologies such as blockchain, cloud computing, big data and Artificial



Intelligence (AI), and has developed an open and comprehensive fintech service platform portfolio covering "three key platforms".

Continuously relying on fintech platform-based innovation, we have successfully launched financial products including "Connect" Series and "Yongjin Treasurer" for small enterprises, retail industry and industry peers, as well as the application of fintech in the fields of medical care, logistics and intelligent manufacturing, offering an integrated fintech solution to account management, payment and settlement, financing, financial asset management, liquidity management, risk management and supply chain finance.

#### **"Accounts Receivable Chain" platform**

The "Accounts Receivable Chain" platform leverages the block chain technology to convert the enterprises' receivables into electronic payment, settlement and financing tools, so as to help the enterprises revitalize sunk resources and reduce the debt ratio and financing costs. By the end of December 2019, the platform had 2,493 projects registered, covering more than 17,000 clients and with a financing balance of more than RMB 96 billion.

#### **"Pool financing" platform**

- **"Yongjin Bill Pool"** ("涌金票据池"): a comprehensive bill service platform for bill management and financing.
- **"Yongjin Asset Pool"** ("涌金资产池"): a platform allowing the enterprise to pledge its financial assets at any time.
- **"Yongjin Export Pool"** ("涌金出口池"): a platform providing the accounts receivable liquidity service solution for importers and exporters.

In estimation and calculation, the "pooled financing" platform can help corporate clients effectively reduce the position and provision by about 20%. By the end of 2019, the platform had served more than 25,000 clients, with a financing balance of over RMB 330 billion.

#### **Yiqiyin platform**

The Yiqiyin platform manages the finance and capital for enterprise groups and their member companies in an all-round way, from balancing surplus with deficiency, debt reduction, cost reduction to guarantee payment. It provides financial services for enterprises upstream and downstream the supply chain, helping build an industry chain ecosystem. By the end of 2019, the platform had 333 projects registered, and raised a total of more than RMB 92 billion.

#### **Case: The "Accounts Receivable Chain " platform helped Metersbonwe solve the problem**

When it comes to the holiday - the peak season for selling clothing products, Metersbonwe has to replenish a large number of goods, which not only requires a substantial sum of funds, but also involves the complex work of managing the accounts receivable for its upstream suppliers. Luckily, the "Accounts Receivable Chain" platform driven by blockchain technology provided a solution for Metersbonwe. With the platform, Metersbonwe issued and accepted the block chain-based receivables based on its actual procurement need, and applied

for credit enhancement according to its own credit, and then transferred the credit to upstream suppliers. This greatly improved the loyalty of the suppliers and the efficiency of accounts receivable management while saving costs. By the end of 2019, more than 120 upstream suppliers of Metersbonwe has joined the platform, accumulating operating revenues of nearly RMB 1.5 billion in total.

**Case: The "Yijiayin Asset Pool" helped promote individual client asset management**

In July 2019, in order to meet the needs of individual clients for the overall management of financial assets and real estate, our Bank had innovatively launched the "Yijiayin Asset Pool" ("e 家银资产池") consisting of "Individual Asset Pool" ("个人池"), "Family Asset Pool" ("家庭池") and "Friends And Relatives Asset Pool" ("亲友池"), helping connect the assets and liabilities of the client him/herself, his/her family, friends and relatives. The amount of financing will be determined according to the system's intelligent assessment, and the client can borrow money and pay back on demand via mobile APP, ensuring asset efficiency and liquidity.

### III. Pursuing excellence through service innovation

We continued to promote innovative banking and broaden banking channels, striving to provide better customer experience that is more convenient, diversified, and thoughtful. Also, following the *Advertising Law of the People's Republic of China*, *Guiding Opinions for Regulating Asset Management Business of Financial Institutions* and other relevant laws and regulations, we further standardized the promotion of products and services, so as to effectively protect the rights (e.g. rights to know and choose) and interests of customers.

#### A. Exploring approaches to smart living

Riding on the momentum of fintech, we enhanced the application of fintech in customer service, striving to provide customers with more convenient, efficient and intelligent services. Through measures such as optimizing online service channels and expanding intelligent outlets, we created suitable ecological scenes, and an intelligent digital mobile banking system with our own characteristics, in a bid to comprehensively improve the customer experience and efficiency along each E-banking channel.

##### 1. Online intelligent banking

**Creative online banking:** We launched a WeChat applet where customers may book appointments for withdrawals and deposits instead of on-site queuing, which brings greater experience. We also integrated banking apps to add ease-of-access to banking services.

**Creative intelligent functions:** Relying on the Internet, AI, blockchain, biological recognition and other technologies, we offered a number of intelligent functions such as voice transfer, facial recognition payment, voice search, OCR, intelligent recommendation, Zengjin intellectual investment, blockchain deposit receipts, and personalized push, providing better online banking experience for customers.

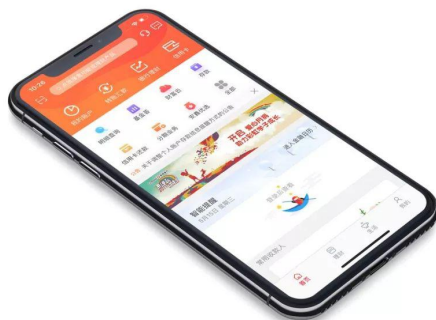
##### Case: CZBank launched mobile banking 4.0

In 2019, we launched CZBank Mobile Banking 4.0, an easier to use intelligent interactive app where customers may enjoy greater experience.

**Building an “one-stop” service platform:** The app integrates mobile banking, direct marketing banking and credit card apps, providing customers with efficient, safe and convenient “one-stop” comprehensive financial services.

**Streamlining banking processes:** New functions like automatic card identification, voice services and facial identification payment were added to improve customer experience.

**Incorporating AI into banking:** Quantitative investment and AI algorithms were incorporated into customize recommended investments.



Picture: CZBank Mobile Banking 4.0

## 2. Off-line intelligent operations

**Promoting intelligent machines:** More intelligent machines such as light smart teller machines, smart printers and side cash cabinets were used at branches. Customers were assisted in using such machines to optimize banking processes and improve customer experience. As of the end of 2019, 100% branches had been equipped with intelligent machines.

**Operational process transformation:** We promoted innovative services such as QR code payment and face recognition-based business handling, etc., to further guarantee the security of clients' funds while offering customer convenience.

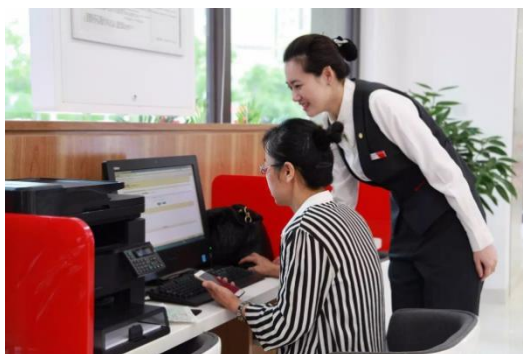


Photo: A clerk is helping a customer access self-service

## B. Providing thoughtful services

As a customer requirement-centric bank, we continued to optimize service processes, earning customers' satisfaction and trust by providing them with efficient and thoughtful services.

### 1. Optimizing customer services

Following the service philosophy of "customer centricity", we looked into the needs of both customers and grassroots across the bank and continued to offer the "All-in-One" counter services. Specifically, we took various detailed service measures so that customers can receive easy, convenient, efficient, thoughtful and economical services. We provided doorstep, delay and flexible services according to service scenes. Also, we conducted secret investigations randomly and analyze the efficiency of our banking processes quarterly,

so as to comprehensively improve the service quality of the branches.

The year 2019 had taken the service standardization of our branches to a new level, and we were among the first group of banks to win the honor of "Enterprise Standard Frontrunner", with all branches having passed the certification and evaluation by relevant national standards.

Table: CZBank "Double Service" Measures and Results Achieved

Establishing the Working Mechanism	<ul style="list-style-type: none"> <li>Our Bank has promulgated the work plan of "Double Service" (i.e. serving the clients and serving grassroots employees), and taken such measures as improving work style, standardizing service behaviors, enhancing service capability, innovating service methods, and building a long-acting service mechanism to promote "Double Service" in the long run.</li> </ul>
Strengthening Service Evaluation	<ul style="list-style-type: none"> <li>In addition to the formulation of <i>CZBank 'Double Service' Evaluation Method (Trial Version)</i>, we have also established a service evaluation system comprising such key service indicators as service satisfaction survey and problem solving system, in order to evaluate the services offered by each branch on a quantitative basis, and take the evaluation results as an important basis for comprehensive performance evaluation and annual recognition of outstanding branch.</li> <li>The <i>Notice on the Implementation of Related Requirements of the Primary Responsibility System</i>, which aims to clarify primary responsibilities, improve work procedures, implement work requirements and strengthen evaluation and supervision, has been circulated to improve the coordination ability, service quality and work efficiency of the whole bank.</li> </ul>
Making Arrangements for Promoting the Work Plan	<ul style="list-style-type: none"> <li>We manage, review, inspect and evaluate the implementation of the "Double Service" work plan on a quarterly basis.</li> <li>Leveraging the service satisfaction survey platform, we have established a problem &amp; feedback collection mechanism to gather suggestions in a timely manner and help turn the "problem list" into "satisfaction list". Besides, we also build channels for customer comments and suggestions on our official WeChat account and website, so as to bolster the improvement of service quality and customer experience.</li> </ul>
Creating a Good Atmosphere to Promote the Work Plan	<ul style="list-style-type: none"> <li>Besides the compilation of the <i>'Double Service' Special Issue</i>, we also set up the "Double Service" Special Column on our Intranet homepage and CZBank magazine <i>Shi Chuang</i>, publishing a total of 8 special issues and 37 special articles.</li> </ul>

- In the Special Issue celebrating CZBank's 15th Anniversary, we have designed the sections such as "My Story of Growing with Clients" and "Leapfrog Development Witnessed by Employees", to actively promote good practices and experience.

**Case: "24-Hour On-Call" Online Service Helps Connect Products and Clients In Real Time**

"24-Hour On-Call" is the service commitment that CZBank's Three Platforms-generated Problem-Solving Group (dedicated to solving problems generated by CZBank's Three Platforms) has been keeping, and the Group is led by three post-90s people. In the Internet platform economy, such communication means as email and phone calls have failed to meet the need of clients for rapid response. CZBank's Problem-Solving Group is able to answer the questions of all parties online through real-time picture display, voice communication, multi-party video teleconferencing and etc., thus ensuring timeliness. They also regularly collate frequently asked questions, and provide problem-solving tools to help our branches better serve clients. Within the first three months after the establishment of the Problem-Solving Group, they have answered 939 questions relating to our 10 products such as "Accounts Receivable Chain", "Manifest Connect" and "Asset Pool".

"Relying on CZBank's three platforms (i.e. Accounts Receivable Chain, Pooled Financing and Yiqiyin), we can solve the problems that we encounter in a timely manner, and we are proud of our 24/7 on-call service."

——Client Manager at a branch of CZBank

**Case: CZBank provided coin change service for customer**

In March 2019, CZBank Wenzhou New City Sub-branch prepared 13,000 coins booked by a customer. The conversion was the first big deal conducted by the sub-branch after the launch of the conversion booking service. The branch carefully checked the number of the coins, closing the deal successfully.



Photo: Clerks are counting coins carefully





Photo: CZBank customized "Little Painter, Big World" coloring pages for children customers

## 2. Serving special customer groups

We formulated the *Regulations of CZBank on the Provision of Services to Special Customers in Special Scenes* to meet the financial requirements of special customer groups. Under these regulations, the branches flexibly extended counter services to special customers in special scenarios, solving their urgent needs. Customer experience was thus improved comprehensively.

In 2019, we issued the *CZBank Outlet Banking Service Requirements*, which further standardizes the development of barrier-free banking facilities and standards. By the end of 2019, across the bank, there were 215 branches with wheelchair ramps, 26 branches with blind lanes, 254 branches with priority seats, 194 outlets with external call buttons or service telephones, 142 branches with wheelchairs, 243 branches with priority counters, and 151 branches with note identification and signature cards for the blind.

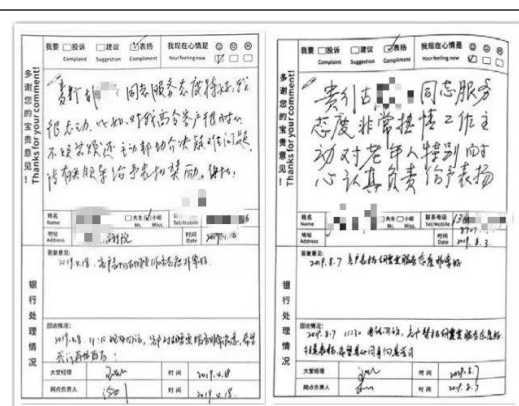


Photo: Praise Letter from clients to CZBank's clerks who patiently told old people how to use ATMs



Photo: An account manager is providing doorstep financial service to a special customer

## C. Protecting customers' interests and rights

We further promoted the protection of customer rights and interests through top-level design, organizational structure adjustment, and process optimization and so on. The Consumer Rights Protection Committee under the board, together with consumer rights protection leading groups at the branch level, worked to plan, deploy, discuss and appraise matters regarding consumer rights protection. This work was consolidated by constant



improvement in corresponding operational and mechanical systems.

## 1. Listening to customers

Customer communication has always been a focus of us. Specifically, we formulated the *Measures of CZBank for Customer Complaints Management* to further optimize the “Three Vertical, Five Horizontal” complaints management network; optimized the customer complaints system, so that complaints collected through various channels can be handled online and coded, increasing the efficiency of complaints handling; and improved the training of complaints handling personnel to ensure service quality. Also, we valued the information drawn from complaints analysis, which helped us identify potential risks and optimize products and services. As of the end of 2019, we had handled all complaints received from customers.

Table: CZBank “Three Vertical, Five Horizontal” Complaints Management Network

<b>“Three Vertical, Five Horizontal” complaints management network</b>	<ul style="list-style-type: none"> <li>Horizontally, customer complaints are collected through five channels that are on-site, electronic, mail, public opinion and transfer channels.</li> </ul>
	<ul style="list-style-type: none"> <li>Vertically, three entities at the top management, channel and professional levels work as a whole in complaints handling.</li> </ul>

### Case: CZBank promoted the online “Customer Protection Online Course” across the bank.

In November 2019, we offered online customer complaints management training across the bank. The training covered the concept, classification and basic handling principles of customer complaints, and also introduced CZBank’s complaints management system, complaints handling and reporting system, and complaints management assessment system. In accordance with the latest regulatory requirements, the training delivered information which helped improve the complaints handling and management capacities of the whole bank.

## 2. Protecting customer privacy

We attached great importance to the protection of customer information security. At the mechanical level, we formulated the *Measures of CZBank for Personal Financial Information Protection and Management*, *CZBank’s Measures for the Management of Computer Information System Production Data*, *Measures for the Management of Information System Production Data Request*, *CZBank Internal Control Employee Violation Score Deduction Standard*, and *Note for Customer Privacy Risk Warning*, and established a series of systems such as the internal data request system and personal financial management system, in a bid to standardize the internal management of customer information.

In addition, we’ve been upgrading information security technologies to enhance data

protection. Specifically, we created a data security protection system integrating Data Leak Prevention, desktop management, data containers, digital watermarks and other technologies; standardized customer information lifecycle management from the very beginning of information collection, storage, usage to backup, cleaning, and finally to destruction; and strengthened external data interactive security control (including risk warning and management), in a bid to comprehensively ensure customer information security.

### 3. Publicizing financial knowledge

Every year, we would conduct various activities to further raise the financial security awareness of the public and provide them with more financial knowledge. Such activities include the “March 15 Financial Consumer Rights Day”, “Prevention of Illegal Fundraising”, “Financial Knowledge: Your Wallet Guard”, “Prevention of Cybercrime”, and “Popularization of Financial Knowledge”. Multiple channels – including WeChat and news media — were used to spread our influence in this regard.

By the end of 2019, we had conducted 1,335 financial knowledge popularization activities which benefited 3.02 million people, distributed a total of more than 610,000 copies of publicity materials, offered consultation service to over 730,000 customers, and invested RMB 8.05 million in public education service.

#### **Case: CZBank developed the “Introduction to the Security Features of the 2019 Edition RMB” online course**

The “Introduction to the Security Features 2019 Edition RMB” online course, independently developed by CZBank, vividly and briefly introduces the security features of the 2019 fifth edition of RMB notes and coins, and their counterfeit detection skills in the form of animation. The course was provided through multiple channels such as CZBank branch on-site publicity and WeChat Official Account. Also, it was used by the People's Bank of China Hangzhou Central Sub-branch, and was repeatedly broadcast by all branches of financial institutions in Zhejiang during the Zhejiang 2019 Edition RMB Publicity Week. The course played an active role in introducing the new edition of RMB.



Picture: CZBank “Introduction to the Security Features of the 2019 Edition RMB” online course



Photo: Kids are learning financial knowledge during a "Three Visits" (Visiting industrial parks, suburbs and communities to popularize financial knowledge) activity.



Photo: A clerk is introducing RMB counterfeit detection skills to customers.

## IV. Pursuing a greener and sustainable world

Strictly following the *Environmental Protection Law of the People's Republic of China* and relevant laws and regulations, as well as the *Guidelines for Establishing a Green Financial System* issued by the central government, we turned "green awareness" into a sustainable business model ensured by an improved green financial management system. In the model, we promoted green credit, green operations, and green public benefit activities, contributing to the creation of eco-friendly society.

### A. Managing environmental risk

We incorporated environmental and social risk management into credit granting, constantly improving our environmental and social risk management capability. Measures like due diligence, veto power, follow-up inspections and employee capacity building were taken to prevent environmental and social risks, and optimize the allocation of our resources.

Table: Integration of Environmental Risks into Credit Management

<b>Sector screening</b>	<ul style="list-style-type: none"> <li>We divided the sectors where our customers operate in into four categories: prior support, stable cooperation, prudent intervention, and strict control.</li> <li>Plate glass manufacturing, ironmaking, steelmaking, and ferroalloy smelting, which fall into the fourth category of "strict control", were given less loans to decrease environmental risk.</li> <li>Obsolete capacity failing to meet the requirements of the state's industry policies was excluded.</li> </ul>
<b>Due diligence</b>	<ul style="list-style-type: none"> <li>We conducted environmental and social risk due diligence according to the sectors and regional characteristics of our clients and their projects.</li> </ul>
<b>Veto</b>	<ul style="list-style-type: none"> <li>We gave more focus to the dynamic assessment and classification of</li> </ul>

<b>power</b>	environmental and social risks, and vetoed companies with poor environmental and social performance.
<b>Follow-up inspections</b>	<ul style="list-style-type: none"> <li>We incorporated environmental and social risk management into the early warning system. This includes intensifying follow-up inspections on companies failing to meet environmental requirements or violating environmental laws and regulations, so that we can manage loans according to risks detected.</li> </ul>
<b>Capability building</b>	<ul style="list-style-type: none"> <li>We improved the expertise of the assessment center, and actively explored measures to take part in green sectors like new energy.</li> </ul>

## B. Developing green finance

Guided by new development concepts provided in Xi's report to the 19th CPC National Congress, we further improved the green financial system, optimized the green credit structure, and brought innovation into the green service model, striving to achieve eco-friendly growth as a part of China's green finance practices. CZBank now ranks among grade A green loan management banks sorted by the central bank.

### 1. Enhancing green finance management

A constant effort of us in recent years is creating a green financial system. This includes developing regulations to clarify responsibilities, specify management measures, and building corresponding organizational structures, so as to effectively promote green finance.

Table: CZBank Green Financial Management Measures

<b>Regulations as guides</b>	<ul style="list-style-type: none"> <li>We formulated a number of regulations and policies, like the <i>Outline of CZBank Green Finance Development</i>, and <i>Guidance on Green Finance in 2019</i>, to clarify organizational structures, focuses and methods regarding promoting green finance across the bank.</li> </ul>
<b>Policy incentives</b>	<ul style="list-style-type: none"> <li>We launched a series of policies regarding credit resource allocation and performance evaluation to encourage green finance.</li> </ul>
<b>Green channels</b>	<ul style="list-style-type: none"> <li>We explored a "green credit channel" system where priority is given to green finance projects in terms of loan reviews by differentiated allocation of review resource.</li> </ul>
<b>Periodic meetings</b>	<ul style="list-style-type: none"> <li>We conducted green finance meetings on a quarterly basis to analyze achievements, and discuss plans, goals and focuses.</li> </ul>
<b>Performance evaluation</b>	<ul style="list-style-type: none"> <li>We integrated green finance performance evaluation into the comprehensive performance evaluation management system.</li> </ul>

**Case: CZBank Hangzhou Branch promoted green regional development via green financial support.**

A green finance pilot outlet selected by CZBank head office, Hangzhou Branch propelled the ecological development and green transformation of Zhejiang through more forceful green finance measures.

- It formulated the *CZBank Hangzhou Branch Green Finance Action Plan (2018-2020)*, created a green finance identification system, and explored green project list management.
- Focusing on building a "Beautiful Zhejiang" and "Garden-Like Zhejiang", we took active part in Zhejiang's pollution management by providing greater financial support to key areas, projects and companies.
- We enhanced the role of creative models – like the "three platforms" – in intelligent manufacturing scenes, promoting our transformation and upgrading.

## 2.Supporting green industries

Following the state's green credit policies, we looked for green projects, and provided active support to green companies engaged in new energy, energy conservation & environment protection, ecological restoration, low carbon economy and circular economy. We promoted the transformation of local traditional industries, and the collective upgrading of massive economic groups, bringing higher energy efficiency to them. We actively took part in advanced manufacturing, intelligent manufacturing, modern service, and strategic emerging industries, developing new areas for green credit. We also built a professional team which focuses on developing financial service plans for green companies according to their requirements.

By the end of 2019, our green loans balance stood at RMB 53.878 billion, an increase of RMB 31.32 billion, or 138.84%, our loans to environmental protection-related industries amounted to RMB 107.773 billion, compared to the beginning of the year.

In addition, we strictly controlled loans to "Two High and One Excess" industries to decrease its percentage and environmental risk. By the end of 2019, the balances of loans to the above industries amounted to RMB 33.275 million, taking up 3.26% of the total loan balance, a fourth consecutive year of decline in the proportion.

Table: Balances of Partial Loans to "Two High and One Excess" industries (Unit: 100 million Yuan)

Related Industries	2017	2018	2019
Ferrous metal smelting and rolling	37.97	19.75	37.88
Non-metallic mineral products	31.37	28.75	23.14
Chemical raw materials and chemicals	53.24	54.48	47.97

Textiles	69.94	78.09	87.53
Coal mining and washing	17.94	30.13	50.45
Chemical fibers	8.15	13.46	18.32
<b>Loan balance of the "Two High and One Excess" industries</b>	<b>287.63</b>	<b>281.27</b>	<b>332.75</b>
<b>Proportion of total loan balance</b>	<b>4.27%</b>	<b>3.29%</b>	<b>3.26%</b>

### 3. Innovating service modes

In 2019, we (1) continued to support green agriculture & forestry, and the "Beautiful Village" program, based on financial innovation along the supply chains of leading green enterprises; (2) promoted the establishment of the China Clean Development Mechanism Fund, and cooperated with provincial financial department to make preferential loans to green enterprises and projects, encouraging energy conservation and emission reduction, and green and low-carbon development; and (3) provided comprehensive financial services to green enterprises through various financing channels created by the capital market for green industries.

By the end of 2019, we had credited RMB 107.773 billion to environmental protection-related industries, an increase of RMB 22.26 billion, or 26.04%, from the beginning of the year.

#### **Case: CZBank successfully issued its first green bond.**

In September 2019, we successfully issued our first green bond for RMB 5 billion. The coupon rate was 3.42%, and the term was 3 years. Funds raised will be earmarked for green industry projects supported by the central bank's policies and the PBOC Green Bond Endorsed Project Catalogue. Such industries include environmental protection, energy conservation, clean energy and clean transportation. Currently, our green project list is composed of 11 projects, including the expansion (phase II) of a city's sewage treatment plant, the expansion (phase II) of a city's household waste incineration plant, and a photovoltaic power plant. These projects are expected to create significant environmental and social benefits.

- **Anticipated emission reduction of atmospheric pollutants**

<b>Coal equivalent saved</b>	<b>Carbon dioxide</b>	<b>Sulfur dioxide</b>	<b>Nitrogen oxides</b>
351,500 ton/year	811,700 ton/year	41.84 ton/year	68.20 ton/year

- **Anticipated reduction of water pollutants**

<b>Chemical oxygen demand reduction</b>	<b>Biological oxygen demand reduction</b>	<b>Suspension reduction</b>
16,425 ton/year	6387.50 ton/year	12,957.50 ton/year
<b>Total nitrogen reduction</b>	<b>Total phosphorus</b>	<b>Sewage treatment</b>

	<b>reduction</b>	
730.00 ton/year	200.75 ton/year	21.90 million ton/year
<b>• Environmental improvement</b>		
<b>Comprehensive river restoration</b>	<b>Soil improvement and land greening area</b>	<b>Waste disposal</b>
18.20 km	8.63 km <sup>2</sup>	146,000 ton/year

## C. Innovating green financial services

By making full use of information technology, we created some green channels – including e-banking where electronic products and services are provided – to save social resources, and reduce the negative environmental impacts of operations at the same time. We have created an e-banking service system composed of Internet banking, telephone banking, mobile banking, WeChat banking and self-service banking, and will continue to expand the system.

By the end of 2019, we had recorded 225.1462 million e-transactions amounting to RMB 12.4 trillion. E-banking had replaced 99% of traditional banking. A total of 1,618 self-service facilities had been installed, and 60.68 tons of paper was estimated to be saved thanks to the use of credit card e-bills<sup>7</sup>.

Table: CZBank 2019 Quantitative Performance of Green Services

<b>Number of e-banking transactions</b>	<b>Number of Internet transactions</b>	<b>Number of mobile transactions</b>	<b>Rate of e-banking transaction substitution</b>
225.1462 million	150.3622 million	70.2621 million	99.03%
<b>Value of e-transactions</b>	<b>Value of Internet transactions</b>	<b>Value of mobile transactions</b>	<b>Number of self-service facilities</b>
RMB 12.4 trillion	RMB 11.77 trillion	RMB 0.63 trillion	1,618

## D. Advocating green lifestyles

Following the philosophy of green operations, we took a number of green measures, including green offices, low-carbon management, and green public service, spreading green ideas in different ways.

7. Paper bills: 4.3659 gram/sheet, 229,047 sheet/ton



## 1. Conducting green operations

We formulated the Regulations of CZBank Head Office on the Use of Office Buildings, incorporated green design into the construction of offices, and designed a series of scientific and effective energy-saving construction schemes for headquarters buildings, scientific research centers and outlets. Also, we promoted green practices across the bank, including green travel and e-offices, in a bid to create an eco-friendly and energy-saving working environment together with the employees.

Table: CZBank Green Operations Measures

<b>Adopting eco-friendly design</b>	<ul style="list-style-type: none"> <li>Solar panels were installed on the roofs of the annex buildings to power office buildings.</li> <li>Double glazed hollow glass curtain walls were used to improve the energy-saving performance of exterior walls whose insulation performance is thus 8.3% higher than that provided by international standards.</li> <li>Towers and annex buildings were equipped with external sunshades to minimize the impacts of direct daylight.</li> </ul>
<b>Reducing power use</b>	<ul style="list-style-type: none"> <li>Energy efficiency management in key areas was enhanced in strict accordance with the CZBank Public Area Electricity Usage Schedule.</li> <li>Office lighting adopted natural lighting first, and then artificial lighting if needed. Each floor was equipped with an independent main switch.</li> <li>Electric lighting systems adopted energy-efficient LED lights.</li> <li>Air conditioners operated in the energy-saving mode, and at 26 °C or above in the summer in accordance with government regulations.</li> <li>Air conditioning adopted the VAV system and water-cooled VRV system to achieve time and regional control, effectively reducing power consumption.</li> </ul>
<b>Reducing water consumption</b>	<ul style="list-style-type: none"> <li>The pressure of public faucets in buildings was lowered to reduce the flow rate.</li> <li>Central control function was added to hot water supply systems to effectively improve the efficiency of hot water management.</li> <li>Rainwater recovery systems were built so that rainwater, after being filtered and disinfected, can be used for road spraying, plant watering and ground washing.</li> </ul>
<b>Reducing paper</b>	<ul style="list-style-type: none"> <li>Electronic office processes further replaced paper-based</li> </ul>

<b>consumption</b>	processes based on the office management system, and mobile offices were promoted to build paperless offices. At present, the electronic approval system has covered 166 items concerning document processing, office management, sci-tech services, personnel management, etc.
<b>Advocating green travel</b>	<ul style="list-style-type: none"> <li>• A company car reform was conducted by cutting the number of company cars by 30%, and using electric cars to reduce oil consumption.</li> <li>• Online car management was incorporated into the OA system, which requires an online application before the use of a car, standardizes company care management, and controls travel distance.</li> </ul>
<b>Strengthening physical asset management and recovery</b>	<ul style="list-style-type: none"> <li>• Consumable supplies trace management mode was adopted, in which supplies consumption is recorded and periodically checked.</li> <li>• Printer toner cartridges were repeatedly used through ink filling.</li> <li>• Computers relocated or obsoleted due to the change of production environments were checked and assessed periodically, so that some can be reused in new environments, or sold to employees at discount prices.</li> </ul>

Table: CZBank 2019 Resource and Energy Consumption<sup>8</sup>

<b>Total office power consumption</b>	<b>Power consumption per unit area</b>	<b>Total office water consumption</b>	<b>Water consumption per unit area</b>
23,722.391 MWh	0.2123 MWh/m <sup>2</sup>	120,619 ton	1.0796 ton/ m <sup>2</sup>
<b>Total natural gas consumption</b>	<b>Diesel consumption</b>	<b>Household waste</b>	<b>Kitchen waste</b>
102,483.16 m <sup>3</sup>	14,392 Litre	4,123.56 ton	724.04 ton
<b>Projects approved online</b>	<b>Number of electronic processes</b>	<b>Office paper saved</b>	<b>Video device coverage</b>
166	861,169	7,282,090 pieces	43.1%
<b>Total greenhouse gas emissions (Scopes</b>		<b>Direct emissions</b>	<b>Indirect emissions</b>

8.The statistics cover the Head Office (Qingchun Road Building, Yan'an Road Building, Huancheng West Road Building and Scientific Research Center)

1 and 2) <sup>9</sup>	(Scope 1)	(Scope 2)
19,546.98 tCO <sub>2</sub> equivalent	303.38 tCO <sub>2</sub> equivalent	19,243.60 tCO <sub>2</sub> equivalent



## 2. Insisting on responsible procurement

We continued to promote responsible procurement. Following the principle of "openness, fairness, justice, honesty and integrity", we incorporated green concepts into the procurement management system. This includes setting green access and evaluation standards for bidders, requesting suppliers to provide environmental management system certification, occupational health and safety management system certification and other relevant certifications, and giving priority to green, eco-friendly and recyclable materials. Supplier social responsibility management was also enhanced in this process.

In 2019, we selected 267 product and service suppliers<sup>10</sup> who collectively registered a total bid price (transaction price) of RMB 936.46 million to serve the Head Office. The supplier review rate was 100%.

Table: CZBank Head Office Potential Suppliers

Number of suppliers by region	Suppliers in the Yangtze River Delta	965
	Suppliers in the Pearl River Delta	154
	Suppliers in the Bohai Economic	351

9. Greenhouse gases include carbon dioxide, methane and nitrous oxide, mainly from the burning of purchased electricity and fossil fuels. Greenhouse gas emissions were converted into the equivalent amount of carbon dioxide, and measured according to the 2015 China Regional Grid Baseline Emission Factors issued by the National Development and Reform Commission, and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change

10. The statistical standard is the head office

	Rim	
	Suppliers in Central China	41
	Suppliers in Western China	67
	Suppliers in Northeast China	5
<b>Total</b>	Head Office level potential suppliers	1,583

### 3. Conducting eco-friendly public welfare activities

We engaged in green service and publicity activities, and encouraged the employees to take part in green development, in a bid to turning the concept of green, low-carbon and eco-friendly development into practice with joint efforts.



Photo: Chongqing Branch "2019 Spring Reforestation and Seedling Cultivation" volunteer activity.



Photo: Taizhou Branch "More Trees, Greener World" activity.



Photo: Jinan Branch "Greener City of Springs" activity



Photo: Hangzhou Branch "Planting the Seeds of Love for a Greener World" activity



Photo: CZBank volunteers are cleaning up a waterway to purify water.



Photo: Shenzhen Branch launched the "March 5th" Learning From Lei Feng Environmental Protection activity.



## V. Strengthening company cohesion through human-centered management

Adhering to the philosophy of human-centered management, we ensured equal employment, effectively protected the legitimate rights and interests of the employees, comprehensively promoted employees' personal growth, and paid close attention to the personal lives of the employees, in a bid to achieve a win-win situation for employees and the bank.

### A.Protecting employee rights and interests

We adopted a fair and open recruitment policy to ensure that employment opportunities were given to different types of job seekers. We also, according to position requirements and personal performance, provided competitive compensation and benefits to employees. Finally, we supported smooth communication among the employees, promoting democratic management.

#### 1.Employment

We adhered to the principle of equal employment. In strict accordance with the Labor Law of the People's Republic of China, Labor Contract Law of the People's Republic of China, and the State Council's Provisions on the Prohibition of Using Child Labor, as well as the Labor Contract Interim Management Measures of CZBank, Regulations of CZBank Head Office on Employee Entry and Exit Management, and other internal employee management rules, we ensured that job seekers or employees are not treated differently on the basis of age, sex, ethnicity, race, marital status, religious belief, etc., and prohibited the employment of child labor and forced labor.

Our Bank adhered to the "Five Lakes and Four Seas" talent attraction and training plan. Every year, we would attract talent from around the world through diverse channels, and conduct talent development programs. By the end of 2019, we had 14,156 employees, including 278 employees from ethnic groups and 65 foreign employees, with a labor contract signing rate of 100%.

#### Employment information

	Number	Percentage	Turnover rate
Male employees	7,489	52.90%	5.75%
Female employees	6,667	47.10%	5.44%
Total employees	14,156	-	5.60%

#### By age

	Number	Percentage	Turnover rate
Below 30	3,081	21.76%	4.90%
31-50	10,567	74.65%	4.79%
Above 50	508	3.59%	2.26%

**By region**

	Number	Percentage	Turnover rate
Number of employees in China	14,098	99.59%	5.56%
Number of employees out of China	58	0.41%	16.67%



Photo: 2019 CZBank Campus Recruitment Session

## 2.Compensation and benefits

We abided by regulations on China's statutory working hours and holidays, actively fulfilled relevant obligations to protect the legitimate rights and interests of the employees, and took care of the employees comprehensively. We developed a human-centered and a market-based, position value-oriented compensation system that focuses on both internal fairness and external competitiveness, both employee growth and corporate development, and both incentives and constraints. We related employee compensation to their position responsibilities and risks, and the way of relating varies according to position characteristics. Compensation reflects employee performance, which motivates employees to improve performance and create value.

On this basis, we constantly optimized employees' benefits system which is composed of provident funds, supplementary medical insurance (employees and their family members), commercial insurance, enterprise annuity and other personalized benefits. By the end of 2019, the social insurance coverage was 100%<sup>11</sup>, and physical examination coverage 98.57%.<sup>12</sup>

## 3.Democratic development

We supported smooth communication among employees, for this makes CZBank the home for every employee, and enhances employees' sense of belonging. Under our democratic management system in the basic form of the workers' congress, we increased the role of employees in democratic decision-making, democratic management and democratic

11.The statistical standard is the head office

12. Physical examination coverage = Head office yearly average number of employees receiving physical examinations / head office yearly average number of employees x 100%



supervision. Also, we set up the Trade Union Labor Law Supervision Committee to identify and solve potential labor disputes. By the end of 2019, all tier-one branches (including subsidiaries) had established trade unions except the Hong Kong branch, indicating a coverage of 96.6%.

To effectively receive and respond to opinions and suggestions provided by lower entities to the head office and branches, we created a satisfaction evaluation platform for the evaluation of services, products and training courses. In 2019, we received a total of 3,133 opinions and suggestions. The head office quickly responded and took measures to solve relevant problems. It also set up a satisfaction working group to screen out widely concerned issues and solve such based on the joint efforts of relevant departments.

## **B.Assisting employees in personal development**

We continued to create platforms and conditions for employee development, which has always been a focus of us. We improved the training system, and broadened employee career development channels. Particularly, we incorporated corporate cultural genes, including innovation, collaboration, integrity, standardization and openness into employee development, thus achieving the mutual growth of employees and the company.

### **1.Creating career development channels**

We paid high attention to talent development. Our employee career development system, featuring “double channels” for both management and expertise development, helps employees achieve personal development and self-fulfillment.

Table: Measures Taken to Promote Employee Career Development

<b>Optimizing the graduate employee development mode</b>	<ul style="list-style-type: none"> <li>We developed a series of graduate employee development programs – such as the Basic Training for Graduate Employees at Grass Roots Position, CZ Star Head Office + Branch Dual Track Training, and Three-Year Graduate Employee Comprehensive Assessment – in a bid to create platforms and channels for the development of these new comers.</li> </ul>
<b>Carrying out job rotation and exchange</b>	<ul style="list-style-type: none"> <li>Through job rotation, short-term job exchange and internal recruitment, we enabled employees gain experience at different positions, helped them improve expertise and qualities, and gave excellent employees the opportunity to select positions. In this way, the employees may comprehensively achieve career development.</li> </ul>
<b>Launching the “Head Office-Branch Job Exchange” Talent Development Program</b>	<ul style="list-style-type: none"> <li>We selected a number of excellent young employees to work at both the head office and lower entities, accelerating their growth.</li> </ul>

## 2. Employee training

We believe that talent is always the driving force behind corporate growth, and thus paid high attention to the interaction between employees and the company. In 2016, we established the CZBank University which plays the role of providing training to the whole bank. Guided by "Five Focuses", we provided diverse, multi-level and multi-mode training courses to specific groups, helping the employees improve expertise and qualities.

By the end of 2019, we had launched 2,423 training programs covering 329,164 employees. Each employee shared 53.86 hours averagely, and the training cost amounted to RMB 38.4084 million.

Table: CZBank 2019 Employee Training Measures and Outcomes<sup>13</sup>

	Key measures	Achievements made in 2019
<b>Focusing on "practice"</b> <b>Supporting the development of key talent</b>	<ul style="list-style-type: none"> <li>Continuing to conduct high-profile programs such as "Dream Camp" and "Winged Steed"</li> <li>Designing the employee development route of "newcomer – young backbone - manager"</li> </ul>	We provided training for key groups, including 127 managers, 96 young backbones, and 336 newcomers from campus recruiting.
<b>Focusing on "performance"</b> <b>Supporting business transformation</b>	<ul style="list-style-type: none"> <li>Customizing training content and methods according to business development needs</li> </ul>	Wenzhou Branch acted as a pilot branch of training-based performance improvement.
<b>Focusing on "convenience"</b> <b>Supporting the increase of training efficiency</b>	<ul style="list-style-type: none"> <li>Improving the intelligent training system to increase the employees' learning efficiency</li> <li>Accelerating the use of the training system at branches</li> </ul>	We incorporated several business areas into the intelligent training system, and developed and introduced more than 70 courses. A total of 104,700 employees received training online, and 101,300 employees took examinations online.
<b>Focusing on "feasibility"</b> <b>Supporting the improvement of training effectiveness</b>	<ul style="list-style-type: none"> <li>Optimizing the satisfaction evaluation platform to regularly collect the branches' opinions and suggestions on business training</li> <li>Establishing a two-way training effectiveness feedback mechanism to regularly send training</li> </ul>	We received nearly 20,000 valid scores, and supervised 400 replies from relevant departments.

	assessment data and trainees' suggestions to the head office	
<b>Focusing on "energization"</b> <b>Supporting the development of basic resource</b>	<ul style="list-style-type: none"> <li>Organizing internal instructor training skill competitions, and developing courses (including micro-courses) and studying cases, especially high-quality courses and cases that meet trainees' requirements from campus recruiting</li> <li>Developing internal part-time lecturers excelling in both expertise and lecturing</li> </ul>	<p>We selected 138 qualified backup lecturers, and developed 40 offline courses, 30 micro-courses and 20 cases.</p>

#### Case: "Winged Steed" series training programs for excellent young employees

Since 2012, we have been offering customized "Winged Steed" training programs to excellent young employees every year. In 2019, we conducted two such programs which covered 96 excellent young employees. The programs were divided into four stages composed of O2O training for three weeks, and six weeks' on-the-job training, and internal and external courses and theme activities, for the purpose of comprehensively improving the leadership skills of young key employees.



Photo: CZBank "Winged Steed" training for young employees



Photo: CZBank management participated in a Tsinghua PBCSF training program



Photo: CZBank 2019 "Excellent Lecturers, Excellent Courses" Competition



Photo: Employee business etiquette training



Photo: CZBank 2019 "Sailing from CZBank • Dream Camp" graduate employee training program

## C. Caring for employees

We continued to improve employee care measures, including creating safe working environments, advocating work-life balance, paying special attention to female employees, and helping employees facing difficulties.

### 1. Caring for employees' physical and mental health

We took into consideration both the physical and mental wellbeing of the employees. Physically, we provided yearly physical examinations to all employees, offered medical services from time to time, and created a "healthcare platform" for the employees and their families. Psychologically, we organized several mental health training programs, and launched the "Psychological Library" program, helping the employees live a better life.







Photo: CZBank head office built its first employee home, and more facilities will be added.

## 2.Enriching employees' lives

We took various measures to help employees keep work-life balance, including organizing sports events like Lake Cycling Health Journal, and "Across Qiantang River" Swimming Race; setting up hobby groups of basketball, tennis, badminton, swimming and photography; and organizing various entertainment activities. All these measures aimed to improve the sense of happiness of the employees.



Photo: Shenyang Branch "Enjoy Sports for A Better CZBank" Sports Game



Photo: Zhengzhou Branch's employees and their families participated in a marathon game.



Photo: Wenzhou Branch "Little Chef" Children's Day parent-child activity



Photo: "Rainbow" running contest organized by the head office and Hangzhou Branch



Photo: Celebrity Tourist Attraction Hongya Cave, by Liu Yongzheng from Chongqing Branch



Photo: Lucheng at Night, by Lou Dan from Wenzhou Branch



Photo: Tashkurgan White Sand Lake, by Ren Guohua from Beijing Branch

Photo: Some photos displayed at the CZBank "Celebrating China's 70th Anniversary and CZBank's 15th Anniversary" Photography Contest

### 3. Caring for female employees

We strengthened efforts to protect the rights and interests of female employees. Specifically, we signed the "CZBank Collective Contract for the Protection of Female Employees' Rights and Interests"; developed more human-centered regulations regarding the management of female employees in pregnancy, childbirth and breastfeeding periods; provided "lactation rooms" at the head office and lower levels; and prepared anti-radiation maternity clothes for pregnant female employees. We also organized various activities for female employees, trying to create a safe and cozy working environment for them.



Photo:Suzhou Branch Women's Day activity

#### 4. Helping employees facing difficulties

As a human-centric company, we always care for employees facing difficulties. We created a medical assistance system to provide outpatient, hospitalization, comprehensive and special assistance to sick employees. We also offered assistance to help employees overcome difficulties, comforting them with love and practical measures. In 2019, CZBank recorded no work-related fatality, and the number of working days lost due to work-related injuries was 177.

**Case: CZBank launched its first employee mutual-help scheme**

In 2019, CZBank head office creatively launched the Head Office Employee Mutual - Help Scheme, and formulated the Measures for Implementing the Head Office Employee Mutual-Help Scheme, in a bid to help employees facing serious difficulties through joint efforts. The first phase of the scheme lasts from November 1, 2019 to December 31, 2020. Employees involved in the mutual help scheme may receive dedicated assistance.



## VI. Making charity a part of corporate culture

We improved the public service system, encouraged entities across the bank to conduct volunteer activities, and actively participated in public service, for the purpose of sharing our development outcomes with society.

### A. Building a public-spirited brand

“Salute to City Guardians” is a free spring water distribution program that we have been running for years. Behind bottles of water is our determination to give back to society and the efforts we made. In every summer from 2016, entities at various levels would provide free iced bottled water to policemen, firemen, traffic officers and sanitation workers who held their positions despite the summer heat, to express our sincere respect.

In 2019, we donated bottled water in more ways and to more groups, and we also invited employees’ families and our clients to participate in the program, expanding its social influence. The program won wide praise from around the society. In 2019, 228 branches set up “drinking water stations”, from where 410,000 bottles of high-quality spring water were provided based on the joint efforts of more than 8,800 employees.

#### Case: CZBank took part in after-typhoon relief by donating bottled water

In August 2019, super typhoon “Lichima” attacked Zhejiang, disrupted water lines and damaged power supply to Linhai, Taizhou. Linhai Sub-branch responded quickly, setting up relief sites at its branches, and providing free drinking water to people living nearby. The head office and Taizhou Branch respond strong support quickly and encouraged other local branches to actively take various disaster relief measures.



Photo: Taizhou Branch participated in disaster relief, including donating drinking water.



Photo: CZBank Love Post Station at a branch



Photo: Jinhua Branch sent bottled water to sanitation workers



Photo: Jinan Branch volunteers sent bottled water by bicycle



Photo: Shanghai Branch sent bottled water to construction workers



Photo: Guangzhou Branch sent bottled water to construction workers nearby



Photo: While sending bottled water, Xi'an Branch also sent and advertised agricultural products from its supporting village, helping



Photo: Shenyang Branch set up a healthcare station, helping outdoor workers measure blood pressure

farmers sell products

## B. Engaging in public service

We took active measures to assume our social responsibility, such as funding schools, participating in disaster and poverty relief, and assisting vulnerable groups, which fully demonstrates CZBank's undertaking and responsibility. As of the end of 2019, our expenditure on charitable donations had amounted to RMB 10.855 million.

### Case: CZBank actively supported the development of Xinjiang

In September 2019, according to the decision of the CPC Zhejiang Provincial Committee and Zhejiang Provincial People's Government on supporting Aksu Prefecture in Xinjiang, and the requirements of the Zhejiang Provincial Local Financial Supervision Administration on providing financial assistance to Xinjiang, we donated RMB 150,000 to Zhejiang Xinjiang Aid Headquarter, an effort to support key aid projects in Aksu.



Photo: CZBank's the 5th group of youth volunteer teachers at Nakong Elementary School in Guizhou



Photo: Volunteer teachers from Hangzhou Branch celebrated the Children's Day with children at Xinchang Elementary School in Changshan, Quzhou



Photo: Volunteers from Zhengzhou Branch Help Improve Meal Standard for Children at Wangdawan Hope Elementary School



Photo: Chengdu Branch bought and installed broadcasting equipment for Tuowu Village Elementary School in Liangshan





Photo: Weifang Branch provided disaster relief to typhoon-hit area



Photo: Volunteers from Wenzhou Branch visited a child welfare center



Photo: Chongqing Branch launched the "Little Orange Lamp" Poverty Relief and Education Assistance program



Photo: CZBank men's basketball team taught children how to play basketball at a migrant school

## Relevant Indicators

### HKEX ESG Indicators

Environment	General Disclosures and KPIs	Indicators	Section
A1 Emissions	General Disclosure	Information on: (a) the policies; and (b) 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	Advocating green lifestyles
	A1.1	The types of emissions and respective emissions data	CSR Key Performance Indicators
	A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	Advocating green lifestyles
	A1.3	Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	CZBank is a financial service institution, thus this indicator is not applicable as it's unimportant.
	A1.4	Total non-hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	CSR Key Performance Indicators
	A1.5	Description of measures to mitigate emissions and results achieved.	Advocating green lifestyles
	A1.6	Description of how hazardous and non-hazardous wastes are handled reduction initiatives and results achieved.	Advocating green lifestyles
A2 Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Developing green finance
	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).	CSR Key Performance Indicators
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	CSR Key Performance Indicators

	A2.3	Description of energy use efficiency initiatives and results achieved.	Advocating green lifestyles
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	The company is a financial service provider and the indicator is thus not applicable.
	A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	The company is a financial service provider and the indicator is thus not applicable.
A3: Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Developing green finance
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Developing green finance
Society	General Disclosures and KPIs	Indicators	Section
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) 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	Protecting employee rights and interests
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Protecting employee rights and interests
	B1.2	Employee turnover rate by gender, age group and geographical region.	Protecting employee rights and interests
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) 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	Caring for employees
	B2.1	Number and rate of work-related fatalities.	Protecting employee rights and interests
	B2.2	Lost days due to work injury.	Protecting employee

			rights and interests
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Caring for employees
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Assisting employees in personal development
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosure will be conducted gradually.
	B3.2	The average training hours completed per employee by gender and employee category.	Assisting employees in personal development
B4: Labour Standards	General Disclosure	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 labor	Protecting employee rights and interests
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Protecting employee rights and interests
	B4.2	Description of steps taken to eliminate such practices when discovered.	NA
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain	Advocating green lifestyles
	B5.1	Number of suppliers by geographical region.	Advocating green lifestyles
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Advocating green lifestyles
B6: Product Responsibility	General Disclosure	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.	Protecting customers' interests and rights (Indicators such as health and safety, label, etc. are not applicable as CZBank is a financial service institution.)
	B6.1	Percentage of total products sold or shipped	The company is a



		subject to recalls for safety and health reasons.	financial service provider and the indicator is thus not applicable.
	B6.2	Number of products and service related complaints received and how they are dealt with.	Protecting customers' interests and rights
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Internal control and compliance management
	B6.4	Description of quality assurance process and recall procedures.	The company is a financial service provider and the indicator is thus not applicable.
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protecting customers' interests and rights
B7: Anti-corruption	General Disclosure	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.	Internal control and compliance management
	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.	Internal control and compliance management
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Risk management; internal control and compliance
B8: Community Investment	General Disclosure	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	Building a public-spirited brand; Engaging in public service
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Building a public-spirited brand; Engaging in public service
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Building a public-spirited brand; Engaging in

			public service
--	--	--	----------------

## GRI Standards

GRI Indicators	Interpretations	Section
General Disclosures		
G102-1	Name of the organization	About Us
G102-2	Activities, brands, products, and services	
G102-3	Location of headquarters	
G102-4	Location of operations	
G102-5	Ownership and legal form	
G102-6	Markets served	
G102-7	Scale of the organization	
G102-8	Information on employees and other workers	Protecting employee rights and interests
G102-9	Supply chain	Advocating green lifestyles
G102-10	Significant changes to the organization and its supply chain	
G102-11	Precautionary Principle or approach	Risk control
G102-12	External initiatives	Notice about report preparation
G102-13	Membership of associations	About Us
Strategy		
G102-14	Statement from senior decision-maker	Undisclosed
G102-15	Key Impacts, risks, and opportunities	Overview
Ethics and integrity		
G102-16	Values, principles, standards, and norms of behavior	The concept of social responsibility
G102-17	Mechanisms for advice and concerns about ethics	
Governance		
G102-18	Governance structure	Risk control
G102-19	Delegating authority	
G102-20	Executive-level responsibility for economic, environmental, and social topics	
G102-21	Consulting stakeholders on economic, environmental, and social topic	Undisclosed
G102-22	Composition of the highest governance body and its committees	
G102-23	Chair of the highest governance body	
G102-24	Nominating and selecting the highest governance body	See the annual report
G102-25	Conflicts of interest	
G102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance
G102-27	Collective knowledge of highest governance body	The concept of social responsibility
G102-28	Evaluating the highest governance body's performance	See the annual report
G102-29	Identifying and managing economic, environmental, and	Undisclosed

	social impacts	
G102-30	Effectiveness of risk management processes	Risk control
G102-31	Review of economic, environmental, and social topics	Undisclosed
G102-32	Highest governance body's role in sustainability reporting	Risk control
G102-33	Communicating critical concerns	Undisclosed
G102-34	Nature and total number of critical concerns	Communication with the stakeholders
G102-35	Remuneration policies	See the annual report
G102-36	Process for determining remuneration	
G102-37	Stakeholders' involvement in remuneration	
G102-38	Annual total compensation ratio	
G102-39	Percentage increase in annual total compensation ratio	
Stakeholder engagement		
G102-40	List of stakeholder groups	Communication with the stakeholders
G102-41	Collective bargaining agreements	Undisclosed
G102-42	Identifying and selecting stakeholders	Communication with the stakeholders
G102-43	Approach to stakeholder engagement	Undisclosed
G102-44	Key topics and concerns raised	Communication with the stakeholders
Reporting practice		
G102-45	Entities included in the consolidated financial statements	Undisclosed
G102-46	Defining report content and topic Boundaries	Notice about report preparation
G102-47	List of material topics	Communication with the stakeholders
G102-48	Restatements of information	Notice about report preparation
G102-49	Changes in reporting	
G102-50	Reporting period	
G102-51	Date of most recent report	
G102-52	Reporting cycle	
G102-53	Contact point for questions regarding the report	
G102-54	Claims of reporting in accordance with the GRI Standards	
G102-55	GRI content index	GRI Standards Indexes
G102-56	External assurance	Independent Assurance Report
GRI 201 Economic Performance		
G201-1	Direct economic value generated and distributed	CSR Key Performance Indicators
G201-2	Financial implications and other risks and opportunities due to climate change	Developing green finance
G201-3	Defined benefit plan obligations and other retirement plans	Protecting employee

		rights and interests
G201-4	Financial assistance received from government	Undisclosed
Market Presence		
G202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Undisclosed
G202-2	Proportion of senior management hired from the local community	Undisclosed
Indirect Economic Impacts		
G203-1	Infrastructure investments and services supported	Annual social responsibility events
G203-2	Significant indirect economic impacts	CSR Key Performance Indicators
Procurement Practices		
G204-1	Proportion of spending on local suppliers	Advocating green lifestyles
Anti-corruption		
G205-1	Operations assessed for risks related to corruption	About Us
G205-2	Communication and training about anti-corruption policies and procedures	Internal control and compliance management
G205-3	Confirmed incidents of corruption and actions taken	
Anti-competitive Behavior		
G206-1	Legal actions for anticompetitive behavior, antitrust, and monopoly practices	NA
GRI 301 Materials		
G301-1	Materials used by weight or volume	Advocating green lifestyles
G301-2	Recycled input materials used	NA
G301-3	Reclaimed products and their packaging materials	
Energy		
G302-1	Energy consumption within the organization	CSR Key Performance Indicators
G302-2	Energy consumption outside of the organization	
G302-3	Energy intensity	Advocating green lifestyles
G302-4	Reduction of energy consumption	
G302-5	Reductions in energy requirements of products and services	
Water and Effluents		
G303-1	Interactions with water as a shared resource	NA
G303-2	Management of water discharge-related impacts	
G303-3	Water withdrawal	Advocating green lifestyles
Emissions		
G305-1	Direct (Scope 1) GHG emissions	Advocating green lifestyles
G305-2	Energy indirect (Scope 2) GHG emissions	
G305-3	Other indirect (Scope 3) GHG emissions	Undisclosed

G305-4	GHG emissions intensity	CSR Key Performance Indicators
G305-5	Reduction of GHG emissions	Developing green finance
G305-6	Emissions of ozone-depleting substances (ODS)	
G305-7	Nitrogen oxides (NO <sub>x</sub> ), sulfur oxides (SO <sub>x</sub> ), and other significant air emissions	
Effluents and Waste		
G306-1	Water discharge by quality and destination	NA
G306-2	Waste by type and disposal method	Advocating green lifestyles
G306-3	Significant spills	NA
G306-4	Transport of hazardous waste	
G306-5	Water bodies affected by water discharges and/or runoff	NA
Environmental Compliance		
G307-1	Non-compliance with environmental laws and regulations	NA
Supplier Environmental Assessment		
G308-1	New suppliers that were screened using environmental criteria	Advocating green lifestyles
G308-2	Negative environmental impacts in the supply chain and actions taken	
GRI 401 Employment		
G401-1	New employee hires and employee turnover	Protecting employee rights and interests
G401-2	Benefits provided to fulltime employees that are not provided to temporary or part-time employees	Protecting employee rights and interests
G401-3	Parental leave	Caring for employees
Labor/Management Relations		
G402-1	Minimum notice periods regarding operational changes	Undisclosed
Occupational Health and Safety		
G403-1	Occupational health and safety management system	Undisclosed
G403-2	Hazard identification, risk assessment, and incident investigation	Caring for employees
G403-3	Occupational health services	NA
G403-4	Worker participation, consultation, and communication on occupational health and safety	Caring for employees
Training and Education		
G404-1	Average hours of training per year per employee	Assisting employees in personal development
G404-2	Programs for upgrading employee skills and transition assistance programs	
G404-3	Percentage of employees receiving regular performance and career development reviews	
Diversity and Equal Opportunity		
G405-1	Diversity of governance bodies and employees	Protecting employee

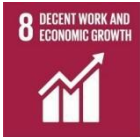






		rights and interests
G405-2	Ratio of basic salary and remuneration of women to men	Undisclosed
Non-discrimination		
G406-1	Incidents of discrimination and corrective actions taken	NA
Freedom of Association and Collective Bargaining		
G407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	NA
Child Labor		
G408-1	Operations and suppliers at significant risk for incidents of child labor	NA
Forced or Compulsory Labor		
G409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	NA
Security Practices		
G410-1	Security personnel trained in human rights policies or procedures	Undisclosed
Rights of Indigenous Peoples		
G411-1	Incidents of violations involving rights of indigenous peoples	NA
Human Rights Assessment		
G412-1	Operations that have been subject to human rights reviews or impact assessments	Undisclosed
G412-2	Employee training on human rights policies or procedures	
G412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	
Local Communities		
G413-1	Operations with local community engagement, impact assessments, and development programs	Undisclosed
G413-2	Operations with significant actual and potential negative impacts on local communities	NA
Supplier Social Assessment		
G414-1	New suppliers that were screened using social criteria	Advocating green lifestyles
G414-2	Negative social impacts in the supply chain and actions taken	
Public Policy		
G415-1	Political contributions	NA
Customer Health and Safety		
G416-1	Assessment of the health and safety impacts of product and service categories	NA
G416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	
Marketing and Labeling		
G417-1	Requirements for product and service information and labeling	NA






G417-2	Incidents of non-compliance concerning product and service information and labeling	
G417-3	Incidents of non-compliance concerning marketing communications	
Customer Privacy		
G418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	NA
Socioeconomic Compliance		
G419-1	Non-compliance with laws and regulations in the social and economic area	NA

## SDGs Indicator Contrast

SDGs Indicators	Disclosures
	<ul style="list-style-type: none"> <li>We took part in targeted poverty alleviation. The targeted poverty alleviation loan balance reached RMB 600 million, with a total of 2,536 registered poverty-stricken households getting supported.</li> </ul>
	<ul style="list-style-type: none"> <li>We took the initiative to help farmers by promoting the mode of "bank + leading enterprises + farmers". The balance of agriculture-related loans was RMB 158.434 billion; the balance of inclusive agriculture-related loans was RMB 23.13 billion</li> </ul>
	<ul style="list-style-type: none"> <li>We paid social insurance, supplementary medical insurance, and commercial insurance premiums, protecting the rights and interests of our employees. The social insurance coverage was 100%</li> <li>We provided yearly physical examinations to all employees, offered medical services from time to time, and also paid attention to employees' mental health.</li> <li>We improved the protection of female employees' rights and interests.</li> </ul>
	<ul style="list-style-type: none"> <li>We set up CZBank University where diverse, multi-level and multi-mode training courses are provided to specific groups, helping the employees achieve personal development.</li> <li>We organized 2,423 training programs for 329,164 employees. Each employee shared 53.86 hours averagely, and the training cost amounted to RMB 38.4084 million.</li> <li>We participated in poverty alleviation through education. "CZBank Rainbow Plan" program has raised RMB 24.61 million funds for 23,400 students.</li> </ul>
	<ul style="list-style-type: none"> <li>We stuck to the principle of equal employment. Female employees took up 47.10% of the total.</li> </ul>
	<ul style="list-style-type: none"> <li>We developed water conservation measures to improve water efficiency.</li> <li>We provided green credit to wastewater treatment companies.</li> </ul>
	<ul style="list-style-type: none"> <li>We provided great support to clean energy projects relating to solar power, biomass resource recycling, etc.</li> </ul>

	<ul style="list-style-type: none"> <li>• We supported small and micro enterprises relying on our platform advantages. The balance of loans to small and micro enterprises amounted to RMB 232.352 billion. The loans went to 303,800 small and micro enterprises, creating 5 million jobs.</li> <li>• We optimized the employee remuneration system, and upgraded the training system to create more career development opportunities for the employees.</li> </ul>
	<ul style="list-style-type: none"> <li>• We increased investment in fintech and improved platform-based banking.</li> </ul>
	<ul style="list-style-type: none"> <li>• We provided equal employment and promotion opportunities to the employees.</li> <li>• We developed remuneration policies that reflect internal fairness.</li> <li>• We took active part in public service activities, such as assisting students and vulnerable groups.</li> </ul>
	<ul style="list-style-type: none"> <li>• We supported clean transport projects relating to urban rail transit, urban-rural road transport, public passenger transport, etc.</li> </ul>
	<ul style="list-style-type: none"> <li>• We reduced resource consumption, promoted green travel, and strengthened physical asset recovery.</li> <li>• We promoted e-offices. We used 861,169 electronic processes, saving 7,282,090 pieces of paper.</li> <li>• We adhered to green procurement, giving priority to green, eco-friendly, and recyclable materials.</li> </ul>
	<ul style="list-style-type: none"> <li>• We issued our first green bond in 2019 as a practice of green finance.</li> <li>• By the end of 2019, the balance of green credit reached RMB 53.878 billion.</li> </ul>
	<ul style="list-style-type: none"> <li>• We supported projects relating to pollution control and soil erosion control.</li> </ul>
	<ul style="list-style-type: none"> <li>• We carried out a number of green public service activities.</li> <li>• We supported green, low-carbon, and circular economy projects relating to energy conservation and environmental protection.</li> </ul>

	<ul style="list-style-type: none"> <li>• We strictly controlled loans to "Two High and One Excess" industries</li> </ul>
	<ul style="list-style-type: none"> <li>• We strengthened clean administration and anti-corruption. No major corruption cases were filed throughout the year, and 515 anti-corruption courses were offered to 107,500 employees.</li> <li>• We built a platform for employee satisfaction evaluation.</li> </ul>
	<ul style="list-style-type: none"> <li>• Regulating supplier management</li> <li>• We signed strategic cooperation agreements to establish strategic partnerships.</li> </ul>

## Social Responsibility Report

### Independent Assurance Report

安永华明（2020）专字第60719320\_A01号  
China Zheshang Bank Company Limited

#### The Board of Directors of China Zheshang Bank Company Limited:

We have been engaged to express a limited assurance opinion on the selected data in the 2019 Corporate Social Responsibility Report of China Zheshang Bank Company Limited (the “CSR Report”) prepared by China Zheshang Bank Company Limited (“CZBank”).

#### I. The Board of Directors' responsibilities

The Board of Directors of CZBank are responsible for the preparation and presentation of the selected data in accordance with the standard for preparation of the report. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the selected data, and making estimates that are reasonable in the circumstances.

#### II. Our responsibilities

Our responsibility is to express a conclusion on the selected data in the CSR Report based on our work performed. We report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our work on the selected data in accordance with the *International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance as to whether any matters have come to our attention that causes us to believe that the selected data as at 31 December 2019 and for the year then ended in the CSR Report is not prepared in all material respects in accordance with the standard for preparation of the report.

#### III. Scope of work, approach, and limitation

The selected data in the CSR Report of CZBank for 2019 that is as follows:

- Balance of the agriculture related loans (RMB 100 million)
- Specialized institutions to serve MSEs
- Customer satisfaction rate of the 95527 hotline service

## Social Responsibility Report

### Independent Assurance Report

安永华明（2020）专字第60719320\_A01号  
China Zheshang Bank Company Limited

- Number of e-banking transactions (10 thousand)
- Total donations of CZBank (RMB 10 thousand)
- Green loan balance (RMB 100 million)
- Total number of CZBank employees (number)
- The proportion of female employees at CZBank
- Social insurance coverage rate (Head Office)
- Training cost amount (RMB 10 thousand)
- Total electricity consumption (Head Office) (MWh)
- Total water consumption (Head Office) (ton)

Our work was performed at the Head Office of CZBank, which includes:

- 1) Interviews with management and personnel in the departments involved in providing information for inclusion in the CSR Report in relation to the selected data;
- 2) Analytical procedures;
- 3) Examination, on a test basis, of documentary evidence relating to the selected data on which we report;
- 4) Recalculation;
- 5) Other procedures deemed necessary.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and the therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material non-compliance of the selected data prepared in accordance with the standard for preparation of the report.



## Social Responsibility Report

### Independent Assurance Report

安永华明（2020）专字第60719320\_A01号  
China Zheshang Bank Company Limited

Our work was limited to the selected data as of 31 December 2019 and for the year then ended in the CSR Report. We have not performed any procedures over other data included in the CSR Report for 2019, nor have we performed any procedures on other data or data for 2018 and years before. In addition, our work performed was not for the purpose of expressing an opinion on the effectiveness of CZBank internal controls.

#### IV. Conclusion

Based on the limited assurance work which we have performed, nothing has come to our attention that causes us to believe that the selected data as at 31 December 2019 and for the year the ended has not been prepared, in all material respects, in accordance with the standard for preparation of the report.

#### V. Our independence, quality control and assurance team

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



  
Ernst & Young Hua Ming LLP  
Beijing, China

27 March 2020



## Feedback from Readers

Dear readers,

Thank you for reading the CZBank 2019 Corporate Social Responsibility Report. We value and look forward to hearing your feedback on CZBank's social responsibility management, practices and report. Your comments and suggestions are an important basis for us to continue to promote CSR management and practice. We are looking forward to your reply.

Single choice questions (Please check [√] in the box)

1. Do you think the report can reflect the material impacts of CZBank on the economy, society and environment?

Yes. ☐ Maybe ☐ No ☐

2. Do you think the report identifies stakeholders and analyzes their relationships with CZBank accurately and comprehensively?

Yes. ☐ Maybe ☐ No ☐

3. Do you think the report provides sufficient information?

Yes. ☐ Maybe ☐ No ☐

4. Do you think information provided in the report is readable?

Yes. ☐ Maybe ☐ No ☐

Open-ended question

Do you have any other comments and suggestions on the CZBank 2019 Corporate Social Responsibility Report?

### Your contact information

Name:

Organization:

Position:

Phone:

E-mail:

Fax: