



威海市商业银行

WEIHAI CITY COMMERCIAL BANK

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

Stock Short Name: Weihai Bank Stock Code: 9677

2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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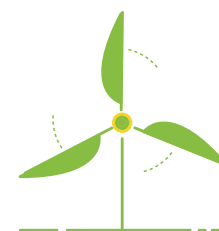
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INSTRUCTIONS ON REPORT PREPARATION

You are welcome to read the 2023 Environmental, Social and Governance (ESG) Report of Weihai City Commercial Bank Co., Ltd. This is the fourth ESG report issued by Weihai City Commercial Bank Co., Ltd. (“Weihai City Commercial Bank” or the “Bank”), which aims to disclose the Bank’s ESG concepts, strategies and performance related to corporate social responsibility and sustainable development, so as to respond to the expectations and concerns of stakeholders and promote the Bank to continuously improve its sustainable development performance.

REPORTING SCOPE

Unless otherwise provided, the Report covers the head office, subsidiaries and branches of Weihai City Commercial Bank. The environmental key performance indicator (“KPI”) data covers the Head Office of the Bank.

The Report covers the same time frame as the Bank’s 2023 Annual Report, spanning from January 1, 2023 to December 31, 2023 (the “Reporting Period”).

REPORTING STANDARD

The Report is compiled in accordance with the Environmental, Social and Governance (“ESG”) Reporting Guide (the “ESG Reporting Guide”) set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange” or the “HKEX”). The Report complies with the provisions of “Comply or Explain” under the ESG Reporting Guide and the four reporting principles (materiality, quantification, balance and consistency).

Materiality: Based on stakeholder survey, data analysis, etc., the Report identifies and responds to significant ESG issues affecting the sustainable development of Weihai City Commercial Bank. And the Report has detailed the process and results of materiality analysis.

Quantification: The Report has disclosed the key performance of ESG quantification of Weihai City Commercial Bank.

Consistency: The Report strives to maintain consistency in the indicators used for different reporting periods, and explains the changed indicators to reflect the trend of performance level.

Balance: The Report reflects objective facts while disclosing both positive and negative indicators.

Instructions on Report Preparation

DENOMINATION CURRENCY

Unless otherwise specified, the denomination currency for the financial data involved in the Report is RMB.

REPORTING LANGUAGE

The Report is published in both Chinese and English. And should there be any inconsistency, the Chinese version shall prevail.

REPORT APPROVAL

The Report was reviewed and approved by the board of directors (the “Board”) of the Bank on March 22, 2024 for release.

REPORT RELEASE

A soft copy of the Report is published on the official website of Weihai City Commercial Bank (www.whccb.com) and on the HKEX news of the Hong Kong Stock Exchange (www.hkexnews.hk).

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ABOUT THE BANK

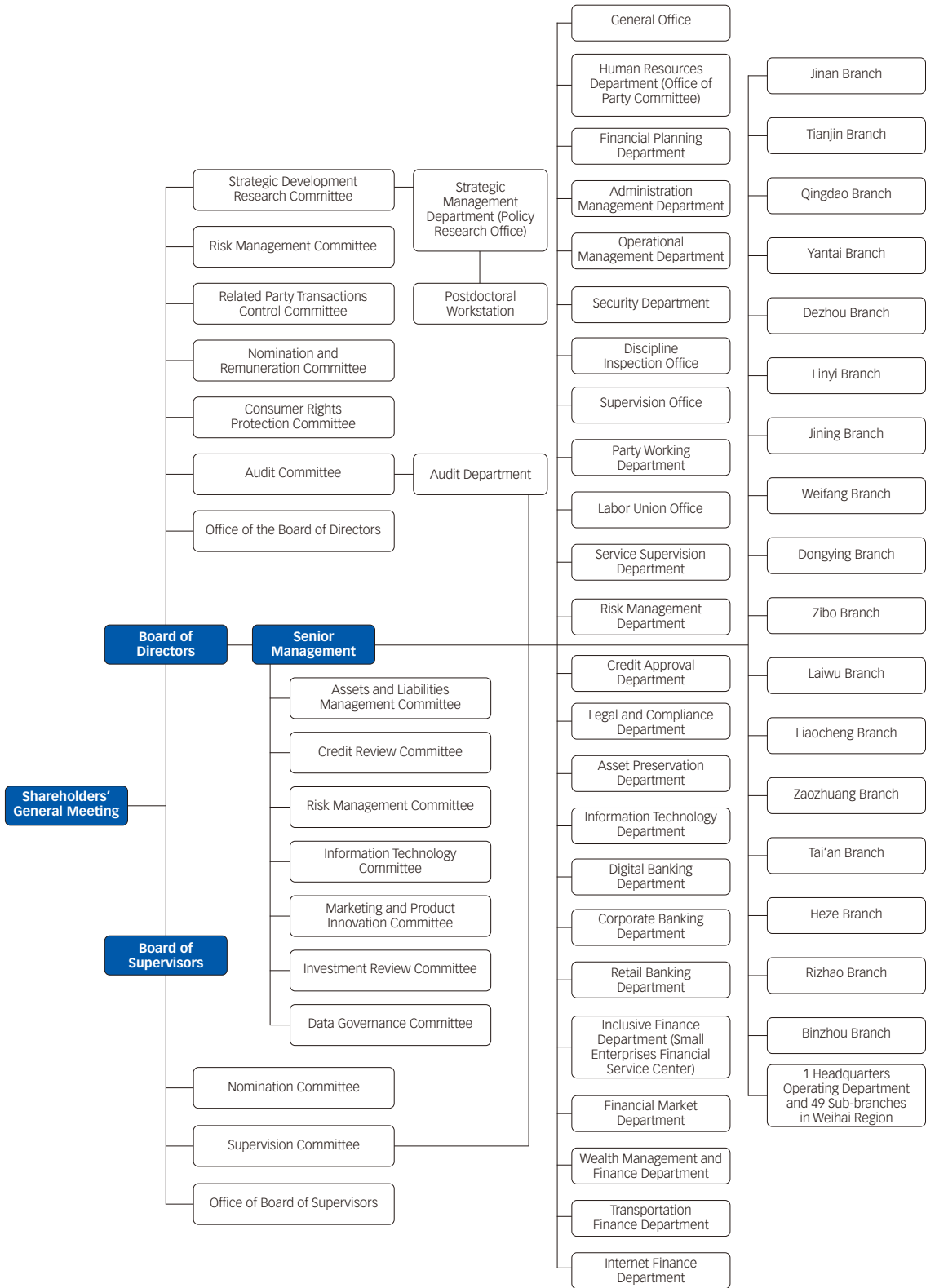
1. COMPANY PROFILE

Since its establishment in 1997, the Bank has always kept in mind its original intention and mission of serving the real economy, adhered to the market positioning of “serving the local economy, serving small and micro enterprises, and serving urban and rural residents”, adhered to the service concept of “mutual support and delightful growth”, insisted on innovation in reform, and surpassed in development, thus moving out a unique development path. The Bank currently has 126 branches and sub-branches in Jinan, Tianjin, Qingdao, etc., and is the first local legal person bank in Shandong Province to achieve “full coverage of the province”. In 2016, the Bank was the first financial institution in Shandong Province to initiate the establishment of a financial leasing company, marking a substantial step in its integrated operation. On October 12, 2020, the Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange. The Bank formally adopted the “Equator Principle” (“赤道原則”) in 2021 and became the first “Equator Bank” (“赤道銀行”) in Shandong Province.

Our quality services and good performance have been highly recognized and well received by all sectors of the society. The Bank has been awarded the “Top 10 City Commercial Banks in China” (Chinese Financial Institution Gold Medal List – Golden Dragon Prize), “Most Competitive Small and Medium Banks”, “Top 10 Mobile Banking Innovation in China” (“全國十佳手機銀行創新獎”), “Leader” (“領跑者”) of Corporate Standards in Bank Outlet Service in China, Star Prize for “Brand Innovation Achievements of Enterprise Party Building in China” (“全國企業黨建品牌創新成果”), Star Prize for “Excellent Cases of Brand Enterprises in China” (“全國品牌強企優秀案例”), “Demonstration Unit for Corporate Culture Construction in China’s Financial Industry” (“中國金融行業企業文化建設示範單位”), “Socially Responsible Enterprise of Shandong” (“山東社會責任企業”), “ESG Level A Company in Shandong Banking industry” (“山東省銀行業ESG A類單位”) and “First Batch of A-Grade Taxpaying Financial Institutions in Shandong Province” (“山東省首批A級納稅金融單位”). The brand reputation and social influence were significantly improved.



2. ORGANIZATIONAL STRUCTURE



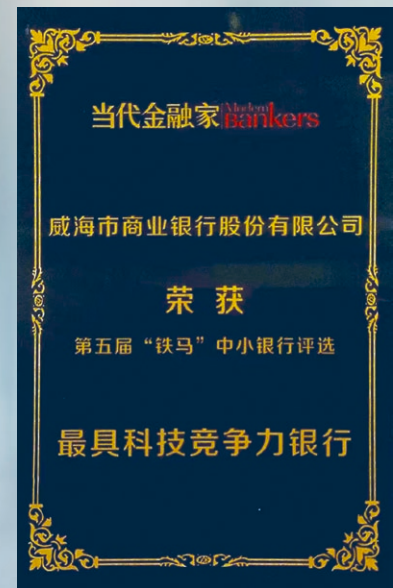
3. HONORS AND AWARDS

Awarding Agency	Awards and Honors
Financial Times	"Most Competitive Bank of the Year" in 2023
8 departments including the State Administration for Market Regulation, the Ministry of Finance and the People's Bank of China	"Forerunner" in the Corporate Standards of Banking Outlet Services
The "Banker" magazine of China	Outstanding Case of the Banker's Annual Retail Banking Innovation in 2023
The "Banker" magazine of China	Excellent Institution of the Banker's Financial Innovation in 2023
The "Banker" magazine of China	Outstanding Case of the Banker's Annual Risk Management Innovation in 2023
The "Banker" magazine of China	Outstanding Case of the Banker's Annual Rural Revitalization and Financial Service Innovation in 2023
Shandong Provincial Banking Association	Highest ESG Rating "Class A Unit"
The magazine of "Modern Bankers"	"Most Competitive Small and Medium-sized Bank in Science and Technology" in 2023

About the Bank

Awarding Agency	Awards and Honors
China Finance	Outstanding City Commercial Bank Award
China Investment Network	2023 Outstanding Bank Award
China Financial Publishing House	Annual Case Award for Social Responsibility
China Times Newspaper	High Quality Development Financial Institution in 2023
China Culture Administration Association	Grand Price for Enterprise Party Building Brand Innovation Achievements
China Association for Public Companies	ESG Excellent Practice Case of Listed Companies in 2023
The Export-Import Bank of China	Green Development Concept Promotion Award

About the Bank





ESG MANAGEMENT

1. ESG MANAGEMENT FRAMEWORK

The Bank has defined and established an ESG management framework, set up an ESG working group to integrate ESG concepts into its management policies, strategies, business plans and policies, and meanwhile implemented ESG strategies, objectives and various tasks in its process of going concern and daily business.

Decision-making layer As the highest decision-making body of the Bank's ESG management, the Board of Directors takes responsibility for formulating the Bank's strategic planning and institutional policies in terms of ESG and for regularly reviewing ESG performance and the progress of achieving relevant objectives to ensure the effective implementation of relevant policies, and meanwhile takes overall responsibility for relevant policies and reports.

Supervisory layer The Board of Supervisors takes responsibility for inspecting ESG management policies, strategies, plans, objectives and annual work contents, monitoring ESG risk management and internal control systems, and meanwhile supervising the implementation of ESG-related policies and work by holding subsidiaries as well as various departments and branches under the Head Office.

Management layer Under the leadership of the Board of Directors, the senior management sets up an ESG working group, with the President serving as the group leader and the Secretary of the Board of Directors serving as the deputy group leader. The ESG Working Group Office is set up in the Service Supervision Department (i.e., the Office of the Consumer Rights Protection Committee of the Board of Directors), which takes the lead in coordinating ESG-related work and regularly reports to the Board of Directors, including but not limited to identifying, evaluating, examining and managing major environmental, social and governance risks, opportunities and related matters; formulating environmental, social and governance management policies, strategies, plans, annual work contents and objectives for approval by the Board of Directors; continuously tracking and reviewing environmental, social and governance related performance and target progress; as well as regularly reporting to the Board of Directors through the Consumer Rights Protection Committee, either in meeting or in writing.

Execution layer Under the leadership of the ESG Working Group Office, the subsidiaries of the Bank as well as various departments and branches under the Head Office carry out ESG practice on key issues, including but not limited to organizing, promoting and implementing various ESG-related work according to the deployment, requirements and division of labor of the Bank's ESG management policies, strategies, plans, annual work contents and objectives; collecting and reporting ESG-related internal policies, systems and performance indicators; observing various ESG-related policies and systems; as well as regularly reporting to the ESG Working Group, either in meeting or in writing.

2. COMMUNICATION WITH STAKEHOLDERS

The Bank attaches great importance to communication with various stakeholders, understands their opinions and feedbacks through various channels, takes such opinions and feedbacks as important references for the Bank to fulfill its social responsibilities, establishes a normalized communication mechanism, responds to the expectations and demands of stakeholders in a timely and sincere manner, as well as promotes sustainable development performance.

Stakeholder	Expectations and Demands	Means of Communication	Frequency of Communication
Regulators	Operate in a compliant manner Support national strategies Serve the real economy Guard against financial risks	<ul style="list-style-type: none"> Meetings Regulatory policies Work reports 	<ul style="list-style-type: none"> Irregular
Shareholders/ Investors	Continue to operate steadily Improve the return on investment Enhance corporate value Regulate corporate governance Guard against financial risks	<ul style="list-style-type: none"> Annual general meetings and other general meetings Interim reports and annual reports Corporate communication Results announcements 	<ul style="list-style-type: none"> Regular
Customers	Continue to operate steadily Realize convenient and efficient service Keep transparent and open information Innovate in diversified products Protect customer rights and interests Guard against financial risks	<ul style="list-style-type: none"> Customer satisfaction surveys and feedback forms Customer service/consultation Visits by customer managers Daily operations/communication Online service platform Phone calls Email 	<ul style="list-style-type: none"> Irregular
Employees	Employee health and safety Employee rights and interests protection Employee career development Employee compensation and benefits	<ul style="list-style-type: none"> Performance evaluation Meetings and interviews 	<ul style="list-style-type: none"> Regular Irregular



2. COMMUNICATION WITH STAKEHOLDERS (CONT'D)

Stakeholder	Expectations and Demands	Means of Communication	Frequency of Communication
Suppliers	Broadened cooperation channels Fair and equitable procurement Honest and trustworthy performance Compliance with business ethics	<ul style="list-style-type: none"> Meetings Site visits 	<ul style="list-style-type: none"> Irregular
Business partners	Quality service experience Professional competence and experience Product and service innovation	<ul style="list-style-type: none"> Cooperation projects 	<ul style="list-style-type: none"> Irregular
Communities/ Nongovernmental organizations	Fulfill social responsibility Develop inclusive finance Assist in rural revitalization Contribute to public welfare and charity Support community development Adhere to targeted assistance Engage in volunteer service	<ul style="list-style-type: none"> Volunteer activities Community activities 	<ul style="list-style-type: none"> Irregular
Media	Comprehensive information disclosure Fulfill social responsibility	<ul style="list-style-type: none"> Press Release 	<ul style="list-style-type: none"> Irregular



3. ANALYSIS OF SUBSTANTIVE ISSUES

Based on the substantive issues of the previous year, the Bank summarized and refined the following substantive issues of great significance to the stakeholders and the Bank through identification, evaluation and screening around the Bank and the distinctive key work in the field of sustainable development in 2023, and made key disclosure and response in the Report.

 Expectations of external stakeholders for the sustainable development of Weihai City Commercial Bank	Support for community development Information disclosure and quality Development of digital economy Protection of small and medium-sized shareholders' rights and interests	Business ethics Regulation of marketing and publicity Financial knowledge popularization Intellectual property protection Social welfare of communities Greater interbank cooperation	Development of green finance Practice of green operation Development of inclusive finance Innovative financial products and services Response to climate change Customer privacy protection Protection of employees' rights and interests Service quality assurance Handling of customer opinions Sound risk management Compliant operation
	Regional coordinated development Communication with stakeholders Diversified team	Consumer rights protection Anti-corruption and anti-money laundering Corporate social responsibility management	Compliance with labor norms Staff development and training Employee health and safety Sustainable supply chain management
	Responsible procurement Investor education Responsible investment	Employee communication channels Support for employees in difficulty Volunteer service	Employee compensation and benefits Work-life balance Diversification and inclusiveness
 Expectations of internal stakeholders for the sustainable development of Weihai City Commercial Bank			

CHAPTER 1 GREEN DEVELOPMENT AND RESPONSE TO CLIMATE CHANGE

1.1 TACKLING CLIMATE RISKS

The Bank continuously attaches importance to the potential impact of climate risks on banking business and operations, and actively takes measures to prevent climate risks to ensure safety and sustainable development of the Bank's assets. The Bank has incorporated climate risk management into its overall risk management framework, and continuously improved its ability to tackle climate risks by establishing a climate risk management system, strengthening climate risk assessment and monitoring, promoting green credit, etc.

1.1.1 Identifying climate change-related risks and opportunities

In active response to climate change, the Bank has established a climate risk management mechanism, identified the climate change-related risks and opportunities, assessed the actual and potential impacts of climate risks on its strategy, business and finance, and formulated effective risk response measures against the actual and potential impacts on traditional financial risks such as credit risks, market risks and liquidity risks.

1. Physical risks

Risk Category	Risk Impact Description	Potential Impact	Impact Timeframe	Countermeasures
Extreme weather risks	Extreme weather, such as typhoon, rainstorm, hurricane, flood and high temperature, may cause damage to the Bank's office space, outlet operation and physical equipment, thereby preventing normal operations, affecting business continuity, threatening the health and safety of its employees, etc.	Increase in operating costs.	Long-term	1. Reduce the impact of physical risks on business operations by regularly assessing the natural disaster risks in the locations of business outlets and formulating appropriate contingency plans. 2. Formulate emergency plans for business continuity and organize regular bank-wide drills on a regular basis. Continuously improve comprehensive service functions such as online channel operation and cross-point communication. Promote the implementation of resource allocation for emergency office space and upgrade the mechanism for guaranteeing the continuous operation of significant businesses under extreme scenarios.
Chronic physical risks	The risks caused by global warming, such as temperature changes, rising sea levels, reduced water availability and lost biodiversity, may directly damage the physical assets of the Bank (e.g., business outlets, data centers, etc.), thereby affecting its business continuity.	Increase in operating costs.	Long-term	3. Enhance the digitalization of financial services, promote the construction of smart outlets, and advance the online, digital and automated transformation of the entire process of financial services. 4. Promote carbon neutrality in its own operations, and practice green and low-carbon office work, green procurement, green buildings, etc. Deepen and promote bank-wide paperless office work, advance the construction of green data center, advocate saving water, paper and electricity, and actively fulfill social responsibility.

Chapter 1 Green Development and Response to Climate Change

1.1 TACKLING CLIMATE RISKS (CONT'D)

1.1.1 Identifying climate change-related risks and opportunities (cont'd)

2. Transformation risks

Risk Category	Risk Impact Description	Potential Major Financial Impact	Impact Timeframe	Countermeasures
Policy and legal risks	National or regional governments may introduce stricter carbon emission limits, environmental protection standards or green finance policies and related laws and regulations, requiring banks to pay more attention to environmental protection and sustainable development in their credit and investment.	Penalties for failure to comply with new policies and standards or legal and regulatory requirements; and related legal disputes and liabilities for compensation.	Medium- and long-term	<ol style="list-style-type: none"> 1. Strengthen policy tracking and interpretation: establish a specialized team or commission a third-party institution to continuously track and interpret the climate policies of national and regional governments. Keep abreast of the impact of policy changes on banking operations, and develop appropriate response strategies and adjustment plans. 2. Strengthen employee training and awareness enhancement, and upgrade employees' awareness and ability to respond to climate transformation risks.
Market risks	Facing the impact of climate change, customers may prefer related products and services that can cope with climate risks in the future, and they may face risks such as customer loss and declining demand for products and services if such related products are not developed in time.	Lower revenue due to lower demand for products and services.	Medium- and long-term	Implement the carbon peak and carbon neutrality strategy, actively develop and introduce financial products and services that are in line with ESG concepts and tackle climate change risks, and enrich the supply of green finance products.

Chapter 1 Green Development and Response to Climate Change

1.1 TACKLING CLIMATE RISKS (CONT'D)

1.1.1 Identifying climate change-related risks and opportunities (cont'd)

2. Transformation risks (cont'd)

Risk Category	Risk Impact Description	Potential Major Financial Impact	Impact Timeframe	Countermeasures
Information technology risks	In the process of financial institutions' coping with climate change and promoting their own green transformation, and along with the comprehensive advancement of digital transformation, the online and intelligent degree of services has been continuously improved, the data scale has grown explosively, and network security risks such as data leakage, ransomware and hacking attack have increased dramatically; and the process of digital transformation involves the application of new technologies such as AI large model, and there are risks such as insufficient maturity and uncontrollable security.	Increase in operation and maintenance costs as well as research and development costs.	Medium- and long-term	<ol style="list-style-type: none"> 1. Continuously strengthen the construction of data security management, technology and operation systems, intensify network, human and property security, and enhance the overall level of network security. 2. Grasp the dynamic balance between innovation and risk control, fully assess new technologies before applying them, and strengthen monitoring, analysis and judgment during the event.
Reputation risks	Due to the elevated public concern over climate change and environmental protection, the Bank may be exposed to reputation risks if its operations have an impact on the climate environment for a long period of time, or if its business development is negatively impacted by poorly responding to climate risk management and lax approvals.	Lower demand for products and services, which in turn affects revenue, stock price valuation, etc.	Short-, medium- and long-term	<ol style="list-style-type: none"> 1. Attach importance to the impact of climate change risks on the Bank's reputation risks, and incorporate climate risks into the reputation risk management system. 2. Strengthen the monitoring and tracking of reputation risks caused by climate change and green finance, establish a mechanism for responding to public opinions in response to possible negative events, enhance the ability of forward-looking research, analysis, assessment and disposal, and minimize the impact of reputation risks.

Chapter 1 Green Development and Response to Climate Change

1.1 TACKLING CLIMATE RISKS (CONT'D)

1.1.1 Identifying climate change-related risks and opportunities (cont'd)

3. Climate opportunities

Opportunity Category	Opportunity Description	Potential Major Financial Impact	Impact Timeframe	Countermeasures
Transformation opportunity	Mitigating the impact of climate change and responding to climate change risks will promote green transformation of the economy and society. Financial institutions implement their own green transformation, practice green operations and green office work, reduce resource consumption and enhance their climate resilience.	Driving operational cost reductions.	Long-term	<ol style="list-style-type: none"> Advocate green operations, and promote online, digital and intelligent transformation of services; optimize the business process of counter system, and improve the intelligence and convenience of operations; deepen the electronic transformation of vouchers and seals, electronic registers, electronic journal vouchers, etc.; expand the application scenarios of video banking, and reduce the carbon footprint of users. Stick to green office work, deepen and promote paperless and online office work; create a green data center; integrate green energy-saving concept into building infrastructure; promote green procurement, etc.

Chapter 1 Green Development and Response to Climate Change

1.1 TACKLING CLIMATE RISKS (CONT'D)

1.1.1 Identifying climate change-related risks and opportunities (cont'd)

3. Climate opportunities (cont'd)

Opportunity Category	Opportunity Description	Potential Major Financial Impact	Impact Timeframe	Countermeasures
Market opportunity	Cope with climate change, achieve the goal of "double carbon", invest unprecedented capital in green and low-carbon transformation of various industries, and bring great opportunities to financial institutions from the demand for related financial products and services.	Expanded revenue sources and profitability.	Long-term	<ol style="list-style-type: none"> 1. Strengthen research efforts in key industries of low-carbon emission reduction, grasp the direction of green and low-carbon economic and social transformation, and keep a watchful eye on market development opportunities. 2. Focus on the development of green finance market, promote the development of green industry by innovating sustainable investment products and services, and bring new business growth points to the Bank. 3. Continue to strengthen cooperation with government departments and enterprises on the digital platform of green finance, and promote their own business growth and sustainable development.

Chapter 1 Green Development and Response to Climate Change

1.1 TACKLING CLIMATE RISKS (CONT'D)

1.1.2 Strengthening climate change risk management

Strengthening ESG risk management and control

The Bank has formulated the Interim Measures for Environmental, Social, and Governance Risk Management in Giving Credit, and incorporated the ESG concept into the entire credit process governance system, so as to continuously judge, evaluate and manage customer-related ESG risks in giving credit, practice the sustainable development concept, and help carbon peak and carbon neutrality.

- (1) For pre-loan
The Bank attaches importance to and evaluates customer ESG-related risks, applies customer ESG risk classification evaluation results to customer credit management, and classifies the risk level of project financing into four grades, namely, A, B, C and D, subject to the severity of the impact.
- (2) For on-loan
The Bank incorporates the environmental and social risk assessment against customers as a non-financial indicator for credit operations into the on-loan credit review, and adopts differentiated review measures. And the Bank strictly restricts the granting of credit to customers who have serious violations of laws and regulations and bring major risks in terms of environment, society and governance.
- (3) For post-loan
The Bank regards environmental and social risks as a post-loan management indicator, regularly conducts model approval for granted loans, locates customers with environmental violations, triggers accurate post-loan early warning tasks, pushes them to the corresponding account managers, requests account managers to carry out rapid and accurate post-loan inspections within the specified time, and requires early loan collection whenever confirming the existence of illegal acts.

Conducting climate risk stress tests

The Bank regularly conducts environmental and climate stress tests mainly against the industries with high sensitivity to environment and climate including steel, coal and textiles, so as to test the impact degree on key indicators of the Bank under different circumstances. And then based on the test results, the Bank develops corresponding disposal measures to effectively identify and respond to potential risks.

Assisting in risk management through technology

- (1) Release a post-loan management platform, implement classified monitoring of early warning rules, improve the effectiveness and stability of early warning models, and continuously improve the refinement level of post-loan management.
- (2) Complete the optimization of credit system, realize the functions of online credit approval, online audit of lending process and electronic management of credit files, effectively prevent and control operational risks and improve review efficiency.
- (3) Launch a connected transaction management platform, realize connected transaction management from manual management to automatic identification, and enable the prior automatic control rate of connected transactions to reach 100%.

Chapter 1 Green Development and Response to Climate Change

1.2 DEVELOPING GREEN FINANCE

In 2023, the Bank, starting from the blue economy and marine economy, keeping a foothold in the new development stage, implementing the new development concept and introducing the new development pattern, has explicitly written its support for green credit development into its Articles of Association, incorporated green finance into its 14th Five-Year Plan development strategy, boosted green finance building from a strategic perspective, and unswervingly advanced the green finance development strategy with “value leading concept, innovation leading brand, technology leading efficiency, and high-end leading transformation” as the core. And the Bank has formulated and released the “Work Plan for the ‘Green Finance Development Year’” to define its specific development ideas, overall objectives and promotion measures, while exerting its advantages as “Equator Bank”, solidly improving the quality and efficiency of green finance services, enhancing the development level of green finance, and building a leading brand of “Golden The Green” in all directions.

1.2.1 Adhering to strategic drive

The Bank regards green finance as an important part of its business transformation, promotes the development of green finance from a strategic perspective, and intensifies support for green economy, low-carbon economy, circular economy and marine economy. And driven by strategy, the Bank constantly improves the customer ESG risk management system, actively carries out carbon emission monitoring and analysis, environmental and climate risk stress test, and gradually improve its various systems and mechanisms.

The Bank has formulated a business transformation target plan for the 14th Five-Year Plan period, and further refined its business development plans and growth targets. And the Bank determines its development goal of green finance in 2023 as follows: Green loans will increase by RMB10 billion, green bonds will be issued up to RMB5 billion, green loans will account for no less than 10% of all those of the Bank, the annual increment and growth rate of green credit will rank first among city commercial banks across Shandong Province, and a “benchmark bank of green finance” will be created.



Chapter 1 Green Development and Response to Climate Change

1.2 DEVELOPING GREEN FINANCE (CONT'D)

1.2.2 Perfecting organizational structure

The Bank vigorously develops green finance, gradually improves the four-level green finance governance structure of “Board of Directors level – Senior Management level – Head Office level – Branch level”, accurately supports the green and low-carbon sustainable development of economy and society, and continuously promotes the high-quality sustainable and steady development of green finance throughout the Bank.

Board of Directors

- The Board of Directors of the Bank takes responsibility for reviewing, approving and determining the development strategies and objectives of green finance, and for coordinating and leading the development directions of green finance of the Bank.

Senior Management

- Establish the Green Finance Management Committee led by the Chairman of the Board, with vice presidents of the Bank, department heads of the headquarter offices, and presidents of branches, administering banks and directly affiliated branches as members, and with its office located in the Corporate Banking Department of the Bank. Under the coordination of the Green Finance Management Committee, all departments fully participate in the construction of the Bank’s green finance system as required by the Guidelines for Green Finance in the Banking and Insurance Industry, take responsibility for the overall management of the Bank’s green finance business, coordinate the formulation of green finance strategies and objectives, and fulfill the management and coordination duties in environmental and social risks.

Specific Execution Layer at the Head Office Level

- Set up a green finance center, and establish positions for project review, marketing as well as environmental and social risk management.
- Expand green finance business, formulate and revise bank-wide green finance policies, conduct industry research, and promote research and development on green finance products and services.
- Lead the work related to environmental and social risk management and Equator Principles, and report to the senior management in time.

Chapter 1 Green Development and Response to Climate Change

1.2 DEVELOPING GREEN FINANCE (CONT'D)

1.2.2 Perfecting organizational structure (cont'd)

Specific Execution Layer at the Branch Level

- At the branch level, each institution has set up a position of green finance specialist to be responsible for marketing management of green finance business within his jurisdiction, as well as constantly promote business and boost quality and efficiency and comprehensive service capabilities by strengthening the linkage between the Head Office and branch offices and the linear collaboration.
- Explore the establishment of pilot green sub-branches, specialize in green credit business, fully support enterprises and projects involving green loans, and create a regional business card of green finance services.

With a view to ensuring smooth implementation of the “Green Finance Development Year”, the Bank has organized a dedicated team to be fully responsible for the implementation and promotion of the event. Under the guidance of the leading group, a working group is set up to be responsible for organizing and deploying related activities, developing plans, scheduling progress, as well as reporting and summarizing specific work. And the Green Finance Management Committee has been established at the Head Office level to guide and develop green finance related work.

Establishing a task force for green finance and cultivating the highlights and advantages in green finance

In 2023, Weihai City Commercial Bank established a task force for green finance to cultivate its highlights and distinctive advantages in green finance, build its green finance brand, assist in the construction of a national green finance reform and innovation pilot zone in Weihai, and continuously expand and optimize its green finance business.

The main responsibilities of the task force include: (1) coordinating the bank-wide resources to accelerate the progress of green finance consulting projects; (2) studying and determining the Bank’s green finance development planning and implementation strategy, building the Bank’s green finance system in a top-down and systematic manner, and clarifying the path of implementation; (3) assisting Weihai in creating a national green finance reform and innovation pilot zone, implementing the industrial credit policy, speeding up the innovation of the Bank’s financial products, enhancing the service supply capacity, and cultivating the Bank’s highlights and distinctive advantages in green finance.

Chapter 1 Green Development and Response to Climate Change

1.2 DEVELOPING GREEN FINANCE (CONT'D)

1.2.2 Perfecting organizational structure (cont'd)

Weihai City Commercial Bank set up its first green sub-branch

On June 9, 2023, Weihai City Commercial Bank established Huancui Sub-branch, its first green sub-branch. As a characteristic service outlet of green finance, the green sub-branch will play a leading role in demonstration, intensify the credit supply of green finance, accelerate the innovation of green finance products, strengthen green environmental protection and low-carbon operation, and strive to build a typical benchmark of green finance.

1.2.3 Intensifying innovation and empowerment

Service scenario: The Bank has set up a multi-level green product system, created an “online + offline” green finance service scenario, optimized the credit structure, upgraded the service level, intensified support for green economy, low-carbon economy, circular economy and marine economy, prevented environmental and social risks, enhanced its own environmental and social performance, and advanced green finance in terms of value concepts, brand innovation, technological efficiency, reform and transformation, etc.

Green credit: The Bank has continuously stepped up the innovation of green credit, continuously explored new modes of developing green finance, formed a “1+3+5+N” green credit product system, successively launched characteristic products such as “Photovoltaic Loan”, “Forestry Carbon Sink Expected Yield Right Pledge Loan”, “Marine Carbon Sink Yield Right Pledge Loan”, “Carbon Emission Right Pledge Loan” and “Sustainable Development Linked Loan”, actively explored contract energy management, water-saving loan and other businesses, and implemented differentiated pricing strategies for green loans. Benchmarking with its peers and combining with its actual situations, the Bank has set special FTP pricing for green loans, reduced the FTP cost by 30BP compared to general customer loans, and continuously optimized and adjusted the FTP pricing for green loans along with changes in the market environment.

In the meantime, the Bank has strengthened the assessment of green loans, set green loan growth indicators in the assessment indicators for branches, and raised the level of importance attached by these branches to green loans.

Chapter 1 Green Development and Response to Climate Change

1.2 DEVELOPING GREEN FINANCE (CONT'D)

1.2.3 Intensifying innovation and empowerment (cont'd)

"1+3+5+N"

- 1: "Building a brand", that is to build a brand of "Golden The Green", empower green development with green finance, and transform "green waters and mountains" into "mountains of gold and silver".
- 3: "Adhering to three concepts", that is to adhere to the concepts of ecology, harmony and win-win, actively integrate and serve green development, promote the harmonious coexistence between man and nature, and achieve mutual benefit and win-win between development and green.
- 5: "Focusing on five directions", that is to focus on the five directions of "ocean strategy, blue sky and white clouds, exquisite city, smooth travel in Shandong and low-carbon manufacturing".
- N: "Innovating N products", that is to take innovation as a guide, search opportunities from green, carefully design green finance products, accurately meet the needs of green economy, continuously intensify the supply of green credit, and inject a steady stream of financial power into green, low-carbon and high-quality development.

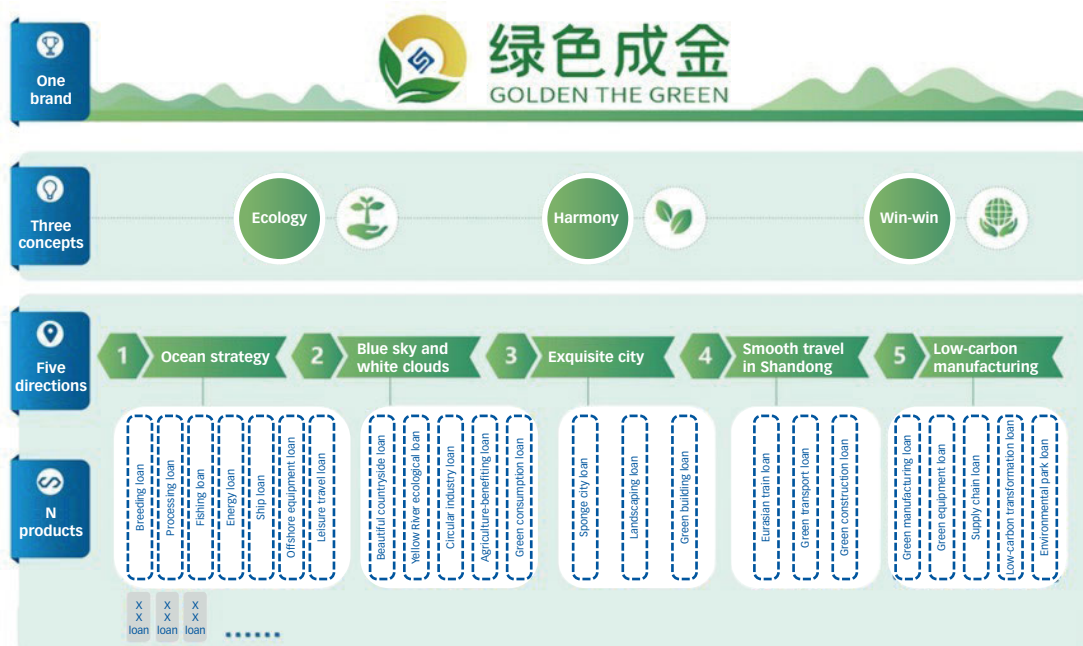


Figure: "1+3+5+N" Green Credit Product System of Weihai City Commercial Bank

Chapter 1 Green Development and Response to Climate Change

1.2 DEVELOPING GREEN FINANCE (CONT'D)

1.2.3 Intensifying innovation and empowerment (cont'd)

Case: Being brave in becoming a “carbon road pioneer” in transformation and helping build a “transit metropolis”



Relying on its characteristic service outlets of green finance, the Bank innovated financial products such as “Green Transportation Loan”, intensified the supply of green credit, and effectively supported the green and low-carbon transformation and development of the transportation industry.

The Bank successfully issued the prime-based loan of “Green Transport Loan” valued RMB260 million to Weihai Bus Group, saving more than RMB2 million in capital cost for the enterprise, which was specially used to procure green public transport means and help the Bus Group continuously improve its green operation capability.

In the meantime, the Bank actively issued green and low-carbon themed credit cards, and citizens could collect the “green and low-carbon energy” in exchange for special rights and interests by taking buses and other means of transportation to contribute to green consumption, so as to guide citizens to practice the concept of green and low-carbon life and choose green and low-carbon travel mode, thus adding luster to Weihai’s goal of green “transit metropolis”.

Chapter 1 Green Development and Response to Climate Change

1.2 DEVELOPING GREEN FINANCE (CONT'D)

1.2.3 Intensifying innovation and empowerment (cont'd)

Green bonds

Green bonds constitute an important part of establishing China's green finance system and one of the practical measures to implement the central government's active development of green finance. The Bank actively explored the issuance of green bonds themed "carbon neutrality", "social responsibility", "sustainable development", etc., and intensified investment in green bonds.

On July 14, 2023, the Bank successfully issued the green finance bonds valued RMB5 billion, aiming to raise funds to invest in these key areas encouraged by national industrial policies such as clean energy, green upgrading of infrastructure, mine restoration and high-standard farmland.

Carbon emission reduction loan

At the beginning of 2023, the Bank vigorously promoted carbon emission reduction loans to empower green, low-carbon and high-quality development with financial strength. The Corporate Banking Department of the Bank incorporated carbon emission reduction projects into the work contents of the Green Finance Working Group, and established a dedicated leading group and a working group for such projects. The Bank proactively communicated with and visited higher-level departments including the People's Bank of China to collect information on the "carbon finance" project library, and distributed the library to all outlets for comprehensively investigating and sorting out the list of intended customers. And meanwhile, the Bank accelerated the upgrading of the credit system, and gave strong technical support for the refined management of carbon emission reduction loans.

Case: Weihai City Commercial Bank successfully landed the carbon emission reduction support tool loan

Weihai City Commercial Bank issued a carbon emission reduction support tool loan valued RMB36.35 million to a chemical enterprise in Tai'an, which would be used for the construction of a low-level heat energy recovery and energy-saving renovation project.

This is a carbon emission reduction project included in Shandong Carbon Finance Project Library. After the project is completed, infrastructure such as the first heat exchange station, urea section waste heat utilization equipment and lithium bromide device will be installed, which can fully utilize the residual and waste heat of circulating water and urea section waste heat from the heat exchange station to heat the heating water through the lithium bromide unit and cover the heating area up to 1 million square meters, thus solving the problem of high steam consumption and carbon emission in traditional heating.

In this project, the waste heat recovered for heating is used to replace traditional coal-fired steam heating, which is expected to save over 93,000 tons of steam, reduce 28,000 tons of carbon dioxide emissions and save nearly 8,800 tons of coal every year, thus providing strong support for green and low-carbon development.

Chapter 1 Green Development and Response to Climate Change

1.2 DEVELOPING GREEN FINANCE (CONT'D)

1.2.3 Intensifying innovation and empowerment (cont'd)

Carbon account

In 2023, the Bank set up the project team called “Weihai Personal Carbon Account” to cooperate with the construction of the “Weihai Personal Carbon Account” project dominated by Weihai Branch of the People’s Bank of China. The “Weihai Personal Carbon Account” of the Bank, which was built on the “Cloud Flash Pay” platform of China UnionPay, achieved the goal of full coverage of daily low-carbon scenarios such as public clothing, food, housing and transport, and full collection of low-carbon data such as low-carbon travel, waste recycling and low-carbon life. With the carbon accounting standard system, the Bank comprehensively converted the carbon emission reduction of users according to the collected data of 29 personal low-carbon behaviors such as public transport, e-government, online payment, mobile payment and electronic bill from the dimensions of paper saving, water saving, electricity saving and energy saving. And users could query their personal low-carbon behaviors, carbon emission reduction details and other information in real time, so as to improve residents’ awareness of energy conservation and carbon reduction.

Green branch

Taking into account the natural endowment and business structure of Weihai region, and focusing on the features of “marine economy”, “exquisite city” and “green and low-carbon”, the Bank set up the first green finance franchise branch in Weihai, which served as the frontier of the Bank’s green finance development and exploration, formed a good demonstration and leading role, and promoted the orderly development of green finance throughout the Bank.

1.2.4 Carrying out publicity and training

The Bank adhered to the principle of “creating atmosphere through activities, building consensus with activities, and gathering strength by activities”, set up professional teams to carry out publicity and training, and promoted marketing activities. The Bank formulated and released the Green Finance Business Product Manual, standardized and publicized the concept, business standards, product information and target customers of green finance, regularly carried out system interpretation, excellent experience sharing and typical case analysis, regularly invited external professional institutions to carry out thematic training, strengthened marketing supply, enhanced professional ability, and continuously improved the development awareness and service level of green finance throughout the Bank.

In the meantime, the Bank actively carried out green financial publicity. In this regard, the Bank established a special briefing on “Green Power Year”, regularly released special information on green finance, shared experiences and displayed achievements, and created a strong atmosphere of “comparing with, learning from and catching up with others”; and widely publicized through national, provincial and municipal key media, actively participated in the green finance-related forums organized by government agencies, regulatory authorities, industry associations and other departments, as well as continuously expanded the publicity channels of green finance and continuously coalesced the development synergy of green finance.

Chapter 1 Green Development and Response to Climate Change

1.3 IMPLEMENTING THE EQUATOR PRINCIPLES

Since its formally adopting the Equator Principles on December 17, 2021 and becoming the first Equator Bank in Shandong and the ninth one in China, the Bank has exercised its prudent verification obligations towards environmental and social issues in project financing, assessed and managed environmental and social risks in project financing, as well as consistently applied ESG concepts and standards to the environmental and social risk audit of its business. The adoption of the Equator Principles is a significant component of the green finance strategy of the Bank, marking a new breakthrough in its green finance and demonstrating the accountability of the Bank as a listed bank.

1.3.1 Full life-cycle management for projects of the Equator Principles

(1) *Strengthening assessment access management for environmental and social risks*

In terms of risk identification and assessment: With a view to promoting sustainable development and preventing and controlling environmental and social risks during project financing, the Bank formulated the Interim Measures for Managing the Program Financing Applying Equator Principles, with a focus on strengthening the management of environmental and social risks. The project financing to which the Equator Principles apply was assessed subject to the level of expected environmental and social impact, and the risk level of project financing was categorized and managed as A, B, B+ and C subject to the severity of the impact.

(2) *Strengthening review management for environmental and social risks*

In the process of on-loan review, the Bank incorporated the environmental and social risk assessment against customers as a non-financial indicator for credit operations into the on-loan credit review. Since environmental and social risk profile served as an important basis for customer rating and credit access, differentiated review measures were taken during on-loan review and other aspects. And the Bank strictly restricted the granting of credit to customers who had serious violations of laws and regulations and brought major risks in terms of environment, society and governance.

(3) *Strengthening post-loan management for environmental and social risks*

Based on the internal post-loan management platform and its access to external data covering business and justice, the Bank regarded environmental and social risks as a post-loan management indicator, regularly conducted model approval for granted loans, located customers with environmental violations, triggered accurate post-loan early warning tasks, pushed them to the corresponding account managers, requested account managers to carry out rapid and accurate post-loan inspections within the specified time, and required early loan collection whenever confirming the existence of illegal acts.

Chapter 1 Green Development and Response to Climate Change

1.3 IMPLEMENTING THE EQUATOR PRINCIPLES (CONT'D)

1.3.2 Implementation status of the Equator Principles

Project cases about the Equator Principles

A project in Linyi County intended to build high-standard farmlands of 240,000 mu, for which a holding group in Shandong as the project investment unit needed to invest a lot of money in land leveling, irrigation and drainage, field roads, farmland protection, etc. In this regard, the project required a total investment of RMB638.782 million in a duration of 3 years, meeting the requirements of the “Equator Principles” for project financing with a total investment more than or equal to USD10 million.

The project may help transform the original idle gully into effective arable land, contribute to replacing the original dirt roads in the fields with asphalt pavement, and promote the establishment of an integrated irrigation system for water and fertilizer. After the completion of the 240,000 mu high-standard farmland, the labor productivity and land output rate will be greatly improved, and it is estimated that the planting area will be increased by nearly 17,000 mu. In the meantime, through replacing fragmented and scattered arable land with large-scale high-standard farmland, the comprehensive agricultural production capacity and comprehensive income level will be steadily improved, and the scale of farmlands featuring “high and stable yields despite drought or excessive rain” that are suitable for modern agricultural production and management mode can be further expanded. In this respect, Weihai City Commercial Bank docked with the project construction enterprise at the first time, and then both parties conducted in-depth exchanges on project operation mode, environmental benefits, overall planning, etc. And meanwhile, they fully drew on the internationally recognized environmental and social risk management framework of the Equator Principles to conduct strict environmental and social risk assessment on the project, and successfully provided the credit support up to RMB170 million to the enterprise, filling “financial oil” for the efficient construction of high-standard farmland.

1.4 PRACTICING GREEN OPERATIONS

1.4.1 Green payment

The Bank generally sorted out the payment and settlement business, comprehensively applied face recognition, identity information networking verification and other technical means, continuously enriched the types of payment and settlement business through electronic channels, improved the convenience of customer services and reduced travel for business; as well as intensified the promotion of online services such as digital confirmation and electronic draft, increased the video banking needs of inactive personal accounts and bank-enterprise reconciliation, conducted in-depth research on customer experience at the grassroots level, optimized online channel functions and business scenarios, and improved customers’ acceptance and usage of online services.

1.4.2 Green services

The Bank sorted out its counter operations, optimized its counter system, continued to enrich the types of paperless operations, and realized paperless customer filling, electronic customer signing, and electronic storage and custody of accounting files, effectively solving the costs and risks of warehousing and safekeeping paper vouchers, and reducing counter operating costs.

Chapter 1 Green Development and Response to Climate Change

1.4 PRACTICING GREEN OPERATIONS (CONT'D)

1.4.3 Green handling

The Bank responded positively to the requirements of Weihai Municipal Government to build a “proof-free city” by promoting the application of electronic business license in banking operations on schedule, and meanwhile actively exploring the application of electronic certificates including enterprise electronic seal and electronic resident identity card, realizing the exemption of submitting paper certificates and giving full play to the role of electronic certificates and data sharing to make data function more and people beat up and down less.

1.4.4 Green management

On the basis of existing online data query/change, accounting file borrowing, teller information maintenance and task distribution and scheduling, the Bank, according to the needs of business development and management, continued to enrich online service types, realized online and streamlined processing of internal affairs as a whole, and reduced paper and manpower consumption.

1.4.5 Green platform

With the help of the data map of smart operation management platform, the Bank categorized and analyzed the counter operations of branches, allocated additional smart cash equipment for outlets with a high cash demand proportion, assisted the counters in all kinds of transfers and cash transactions, and directed the branches to divert counter operations in a targeted manner, thus releasing the manpower efficiency of the counters.

1.4.6 Green energy-saving

- (1) Intensifying the publicity efforts for energy saving and emission reduction. The Bank linked up with the Youth League Committee, the Office and other departments to carry out energy-saving publicity week and low-carbon day activities inside and outside, aiming at vigorously advocating a green and low-carbon production and lifestyle, spreading the concept of green and low-carbon development, creating a green and energy-saving atmosphere, and guiding the majority of cadres and employees throughout the Bank to practice a green and low-carbon lifestyle, by means of activities such as energy deficiency experience, green and low-carbon travel and green exchange.
- (2) Enhancing the level of refined management of energy use. The Bank regularly conducted bank-wide carbon inventory statistics, increased the monitoring of energy consumption such as water, electricity, heating and gas, mapped the level of bank-wide carbon emissions, established carbon reduction paths, and guided branches to do a good job in fine-tuning the management of energy consumption.

1.4.7 Green procurement

- (1) Fully practicing the concept of green procurement. The Bank’s implementation of green procurement represented an important initiative for green finance enhancement, and it fully put into practice green procurement requirements and created a green procurement atmosphere in the procurement process of all branches and headquarter departments and offices of the Bank.
- (2) Strengthening the demand management of green procurement. In the process of procurement, the Bank gave comprehensive consideration to factors such as energy conservation, environmental protection, water conservation, recycling, low-carbon and organic, made reference to relevant national standards, put forward relevant green procurement requirements in developing the demands for goods, and prioritized the procurement of low-carbon and environmentally-friendly products under the premise of ensuring the quality of goods.
- (3) Upgrading supplier access management. In the link of supplier access, the Bank strengthened enterprise examination in terms of environmental protection, and strictly prohibited these units that were punished for violating environmental protection-related laws and regulations from being shortlisted.

CHAPTER 2 FINANCIAL REALISM AND SUPPORT FOR THE REAL ECONOMY

2.1 DEEPLY DEVELOPING INCLUSIVE FINANCE

The Bank issued the “Work Plan for ‘Inclusiveness Year’”, focusing on ten major initiatives, applying the law of “addition and reliance”, taking inclusive finance as a bank-wide political task, practicing the development ideas of restructuring and business transformation, continuously improving the long-term mechanism of sustainable development, optimizing operation and management methods, and promoting high-quality sustainable development in inclusive finance.

2.1.1 Strengthening top-level design

The Bank set up a leading group and a business group for the “Inclusiveness Year”, formulated duties and established an organizational structure; formulated special marketing guidelines for inclusive business and improved credit guidelines; developed and improved policies, measures and systems related to inclusive finance, defined marketing directions and paths, and offered action guidelines for advancing inclusive finance; as well as continued to optimize the due diligence and exemption system for small and micro businesses, and stimulated the enthusiasm across the Bank to carry out small and micro credit services.

2.1.2 Clarifying work plan

Ideological leadership: The Bank regularly made profound interpretations of the current policies on inclusive finance through on-site assistance and lectures, intranet publicity, official micro-posts and online guidance, so as to consolidate the ideological understanding throughout the Bank; and meanwhile put inclusive business to the work focus of the Bank, so as to drive the simultaneous development of a variety of operations such as deposits, accounts, merchants, wealth management and e-banking products, along with the growth of credits.

Capacity building: The Bank established and implemented a comprehensive training system consisting of “on-site training, staged follow-up, telephone consulting and online courseware”, which provided thematic lectures on policies, systems, products and methods concerning inclusive business, thereby enhancing the practicality and effectiveness of training, perfecting the mentor system and strengthening team capacity building. It strengthened institutional training and risk education for credit personnel serving the inclusive line, conducted risk screening, implemented one post with two responsibilities, and effectively prevented professional and ethical risks.

Optimized services: In 2023, the Bank realized the online, automatic and intelligent transformation of inclusive products, launched the “short, small, fast and frequent” standardized inclusive business, and realized fully automatic examination and approval management. The Bank made innovations in product model, platform model and business model, and entrusted key inclusive products to the specialized team, accelerating the formation of a new and stable business model of “specialized team + traditional outlets + online platform” and continuously upgrading the supply and service capacity.

Chapter 2 Financial Realism and Support for the Real Economy

2.1 DEEPLY DEVELOPING INCLUSIVE FINANCE (CONT'D)

2.1.2 Clarifying work plan (cont'd)

Channel broadening: The Bank took the platform as an effective starting point for expanding its inclusive business, changed from “point-to-point” to “point-to-area”, implemented “one-to-many” batch development, and formulated standardized and specialized financial service plans. Focusing on the digital management idea of “building ecology, establishing scenarios and expanding users”, the Bank promoted the online, intelligent and platform-based ecological scenarios, embedded high-quality source scenarios like government departments and small and micro parks, and fully extended financial service scenarios.

Risk control: Before the loan, the Bank focused on active management of the whole process, built a dual engine of inclusive risk control, and consolidated the first line of defense in customer acquisition and business access. After the loan, the Bank established a “targeted mechanism” for duration management as oriented by risk early warning, and realized the whole-process risk management and control of loan duration for small and micro enterprises by applying technological means and big data.

2.2 SUPPORTING SMALL AND MICRO ENTERPRISES

2.2.1 Maintaining policy guarantee

The Bank formulated the marketing guidelines for inclusive finance in 2023, adhered to the marketing idea of focusing on customers’ needs, continued to make good use of the “additions and reliance” working rule, depended on branch outlets and specialized inclusive teams, combined with the features of regional development and the characteristics of market customer clusters, centered on key areas and markets, made detailed market planning, established a platform-based and batch customer acquisition model, and continuously enhanced the precision and operability of marketing services. In the meantime, the Bank made good use of monetary policy tools such as small refinancing and inclusive small and micro loan support tools to intensify financing support for small and micro enterprises, and promoted the repayment-as-you-go loan model.

2.2.2 Reducing costs

The Bank lowered the FTP pricing of loans to small and micro enterprises by 20BP for all terms, and fully utilized the special refinancing policy released by the People’s Bank of China and the policy banks’ sub-loan policy to lower the interest rates for loans to inclusive small and micro enterprises as much as possible through such products as “Supporting Small Loan” and “Assisting Small Loan”, thereby passing on policy preference to the real economy; implemented the loan renewal policy, actively promoted the loan renewal business without repaying principal, and strove to solve the problems of small and micro enterprises’ renewing loans with external high-cost “bridging” funds; continued to implement the “Easy Online Loan – Online Banking Self-service Lending” model, and facilitated the financing turnover of small and micro enterprises through free online banking operations, repayment-as-you-go and quota recycling; and meanwhile, drew lessons from big data technology to carry out collateral self-assessment and actively carried out laid-off loans for specific clients, etc., to reduce the financing burden of small and micro enterprises and reduce their financing costs.

Chapter 2 Financial Realism and Support for the Real Economy

2.2 SUPPORTING SMALL AND MICRO ENTERPRISES (CONT'D)

2.2.3 Innovating in products

In line with the development concept of “providing online solution for offline business, enriching online business, and building strategic digital banking”, the Bank enriched its online product categories, and developed and designed new products that met market and customer needs.

Case – Utilizing the small loan re-lending support policy and expanding financing channels for small and micro enterprises

Weihai Guangzhi Pastoral Complex Development Co., Ltd. is a high-quality agriculture-related enterprise located in Weihai City. Founded in 2014, it is mainly engaged in the cultivation and planting of horseradish and white mushroom, boasting the core competitive advantages in breeding and technology, and facing a certain capital demand due to the insufficiency of its own capital. After learning about this customer’s predicament, business personnel from the Bank actively recommended the Bank’s intellectual property pledge service to it with the help of the funds from the small loan re-lending support program. And in less than a week, a loan amounting to RMB6 million was issued to the enterprise, thereby solving the urgent needs, expanding the agricultural production and meanwhile expanding the popularity and influence of the program among the growers.

Case – “Talent Loan” helps agriculture-related enterprises to innovate in science and technology

Weihai Shenshan Company is a high-tech enterprise specializing in grape cultivation, high-quality seedling cultivation, and wine research and development. The “Shenshan Grape” is a renowned agricultural product brands in Shandong Province, with an annual sales of over RMB10 million. With the incremental production of new products such as sunshine rose grape, the enterprises are facing significant financial pressure. The staffs of the Bank visited and learned that the legal representative was on the list of “provincial talents”. Therefore, we accurately recommended the “talent loan” product to the enterprise, and ultimately successfully issued unsecured, pure credit loans to effectively meet the financing needs of the enterprise.

Chapter 2 Financial Realism and Support for the Real Economy

2.3 ASSISTING IN RURAL REVITALIZATION

For the purpose of fully implementing the decision-making and deployment of rural revitalization, innovating agriculture-related financial products, optimizing agriculture-related financial services and enhancing the capability and level of financial support for rural revitalization, the Bank established a task force for promoting and innovating in rural revitalization model. The task force consists of a leading group and a working group.

2.3.1 Optimizing the modes

The Bank optimized its cooperation with the provincial agricultural development credit guarantee company, further explored the guarantee cooperation mode of “policy agricultural guarantee company + agriculture-related subjects”, and perfected and upgraded industry access, approval process and risk control; and strengthened communication and coordination with government departments, explored the cooperation mechanism among government, finance, agricultural guarantee and the Bank, and jointly build a cooperation model that can be modeled, replicated and promoted. And the Bank created an organically integrated online and offline service model, introduced more differentiated financial products and services, and built a new model of digital inclusive finance for rural revitalization based on the trinity of “technology + data + scenarios”.

2.3.2 Innovating in products

In 2023, the Bank launched new online products such as electronic warehouse receipt pledge loan, greenhouse loan, farming loan and apple loan, and released agriculture-benefiting loan in Weihai area, aiming at continuously upgrading the quality and efficiency of the Bank’s rural revitalization efforts.

Case – “Greenhouse Loan” added “golden wings” for rural revitalization



In Shouguang, the “hometown of Chinese vegetables”, the vegetable growing area is over 600,000 mu, with nearly 260,000 greenhouses. In recent years, with the rise of new modes such as “smart vegetable growing”, the majority of growers have intensified investment in the upgrading and daily maintenance of vegetable greenhouses, so there is an urgent need for “financial living water” for precise assistance. In view of the fact of high natural risks and limited effective guarantees, the Bank actively docked with Shandong Agricultural Development Credit Guarantee Co., Ltd. and jointly set up a task force, the responsible persons put their desks in the fields to have a deep understanding of growers’ income, the crop growth cycle, the upstream and downstream channels of vegetable production and sales, loan demand, etc., tailored credit schemes for greenhouse growers, and innovatively launched a featured agriculture-benefiting loan called “Greenhouse Loan” to assist farmers in increasing income and becoming prosperous.

Chapter 2 Financial Realism and Support for the Real Economy

2.3 ASSISTING IN RURAL REVITALIZATION (CONT'D)

2.3.3 Focusing on marine economy

Keeping a foothold in the characteristics of regional marine economy, the Bank actively promoted the “Blue Economy” service brand, innovated in financial products, broadened the boundaries of agriculture-related industries, focused on meeting the diversified financial needs of rural revitalization, tailored featured credit products for characteristic industries, and launched a series of small and micro fast loan products with the help of big data, Internet and other scientific and technological means, such as “Agriculture-benefiting Loan”, “Breeding Loan”, “Abalone Loan” and “Oyster Loan”, so as to better meet the diversified credit needs of agricultural business entities, support the development of marine-featured industrial clusters, and fully promote the transformation and upgrading of marine economy.

2.4 INNOVATING IN DIVERSIFIED PRODUCTS

On the premise of effective risk control and business sustainability, the Bank actively explored characteristic green financial products and service models. The Bank has formed a diversified green credit product service system to help realize the national goal of “carbon peak and carbon neutrality”.

On the corporate business side: The Bank continued to promote its existing green credit businesses such as pledge financing for sea area use rights, pledge financing for carbon emission rights, pledge financing for carbon sink expected income rights, photovoltaic loan, etc.; encouraged and expanded pledge financing such as special marine financing, emission rights, energy use rights, water rights, franchise rights for energy conservation and environmental protection projects, income rights for green engineering projects and renewable energy subsidies, and financial products such as environmental rights repurchase, factoring and custody; effectively utilized Shandong’s financial library of environmental protection projects to accelerate the implementation of special quota for environmental protection refinancing and rediscounting released by the People’s Bank of China; as well as gave full play to the medium and long-term capital advantages of green bonds, increased the capital supply channels for green projects, intensified investment in green bonds, and actively explored the issuance of green bonds themed like “carbon neutrality”, “social responsibility” and “sustainable development”.

On the retail business side: The Bank innovated in and promoted consumer loans for energy-saving buildings and green buildings, loans for housing energy-saving renovation, loans for purchasing new and clean energy vehicles, and green credit cards, so as to offer more abundant green financing channels for individuals.

Chapter 2 Financial Realism and Support for the Real Economy

2.4 INNOVATING IN DIVERSIFIED PRODUCTS (CONT'D)

On the inclusive business side: We will continue to enrich the variety of online products, while fully amplifying the advantages of products such as housing e-loan, we will also research and design new products that meet market and customer needs, and combine regional characteristics to launch electronic warehouse receipt pledging, greenhouse loan, farming loan, and other businesses. We will fully utilize the advantages of online services, enhance the convenience of financial services for small and micro enterprises, promote the easy loan for technology, and maintain its popularity. At the same time, we will strengthen the support of the specialized, refined, special and novel enterprises to continue promoting products such as intellectual property pledge loan, technology achievement transformation loan, and “talent loan”.

2.4.1 Government e-finance

Relying on Weihai’s big data credit information platform, the Bank established an enterprise social credit rating model by integrating the judicial, taxation, business, social security and other data about enterprises, and carried out credit rating for enterprises. And for enterprises that meet the rating results and the Bank’s credit policy, the credit guarantee fund supported and established by the government would provide partial risk guarantee for these short-term working capital loan products for production and operation purposes.

2.4.2 Easy loan for agriculture

With a view to supporting “agriculture, rural areas and farmers” to provide differentiated and characteristic financing services, the Bank launched an agriculture-related loan product in cooperation with policy agricultural guarantee companies. And it is applicable to moderate-scale agricultural entities such as family farms, large farmers, farmers’ cooperatives, agricultural socialized service organizations and small and micro agricultural enterprises that meet the credit management requirements of the Bank.

2.4.3 Housing e-loan

It is an online personal business loan issued by the Bank to individuals having stable business operations and good reputation and taking residential properties as collateral for production and business turnover.

2.4.4 Easy loan for technology

With the help of the PatSnap Science and Technology Innovation Enterprise Service Platform, the Bank analyzed the science and technology innovation capabilities of science and technology enterprises and specialized and innovative enterprises, formed the rating results of enterprise science and technology innovation capabilities, and combined with the existing products of the Bank, such as intellectual property pledge loan, talent loan and government e-finance, to provide short-term working capital loans to small and micro enterprises that met the rating results and the Bank’s credit policies.

Chapter 2 Financial Realism and Support for the Real Economy

2.4 INNOVATING IN DIVERSIFIED PRODUCTS (CONT'D)

2.4.5 Electronic warehouse receipt pledge

The business launched by the Bank in cooperation with these companies with the ability to issue electronic warehouse receipts offers differentiated and characteristic financing services to support “agriculture, rural areas and farmers” and rural revitalization.

Case

The first electronic warehouse receipt pledge financing of American ginseng in the Province landed in the Bank.

American ginseng is a characteristic “symbol” of agricultural products in Weihai and has been included in the catalog of substances that are both food and traditional Chinese medicine according to tradition, but most of the planting cycle of American ginseng is 3-4 years, which requires a large amount of upfront investment, and thus invariably sets up a “threshold” for the financing of ginseng farmers.

Recently, Shandong Agricultural Development Credit Guarantee Co., Ltd., in conjunction with the Bank, launched the electronic warehouse receipt pledge financing of American ginseng across the Province, and achieved the first landing business in the Province, bringing a new path to reduce the financing cost of ginseng farmers and promote the development of the American ginseng industry.

A photograph showing three individuals in a warehouse setting. Two men in dark suits and one woman in a brown jacket are gathered around a table. They are examining several pieces of yellowish, root-like ginseng products. The background consists of tall metal shelving units filled with numerous small, rectangular trays, each containing more of the ginseng roots. The lighting is bright and even, highlighting the texture of the roots and the organized layout of the warehouse.

Chapter 2 Financial Realism and Support for the Real Economy

2.4 INNOVATING IN DIVERSIFIED PRODUCTS (CONT'D)

2.4.6 Sustainable marine development performance target linked loan

Sustainable Marine Development Performance Target Linked Loan



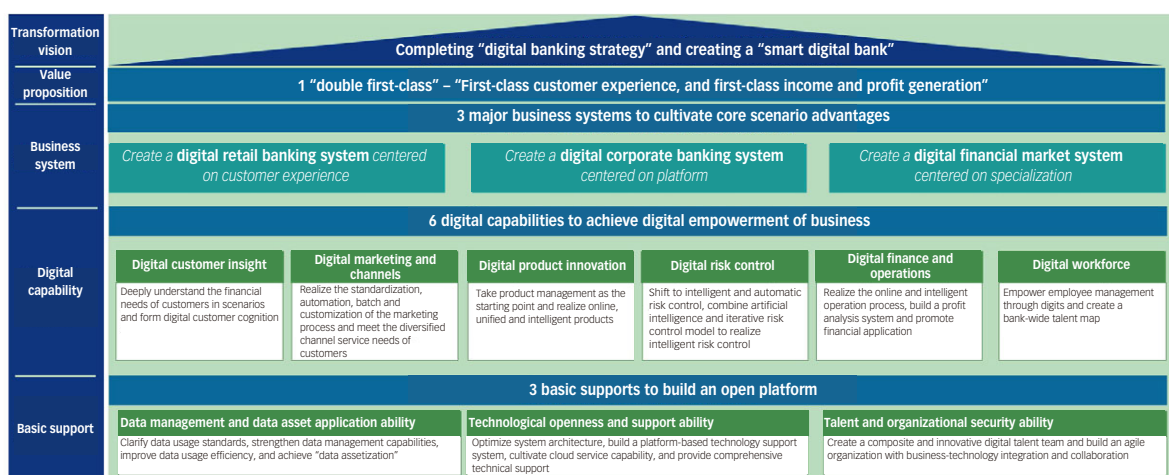
The ocean is the largest active carbon pool on the earth. Compared with the “green carbon sink” on land, the carbon sequestration of marine carbon sink is 20 times that of terrestrial carbon pool and 50 times that of atmospheric carbon pool. Utilizing the role of marine carbon sequestration and developing marine low-carbon technologies can significantly enhance the carbon sequestration capacity of ecosystems and is an important pathway to achieving carbon peak and carbon neutrality. To support the restoration of marine biological resources and the protection of ecological environment, and also to help realize win-win development in terms of ecological protection and economic benefits, Weihai City Commercial Bank innovatively launched the “Sustainable Marine Development Performance Target Linked Loan”. By implementing the price adjustment mechanism linked with the sustainable development performance indicators of enterprises, the offering links the loan interest rate with the indicators of blue sustainable development of enterprises. When a borrower reaches the sustainable development performance target agreed by both parties, he can enjoy the preferential interest rate policy, encouraging enterprises to achieve their green sustainable development goals.

A technology company in Rongcheng mainly produces ecological floats for kelp breeding in the parent company of the group. In recent years, the group company has actively practiced the concept of green development, vigorously carried out the “float revolution”, replaced traditional floats with ecological floats, and helped the green development of aquaculture. With the big push of the “float revolution”, the orders to the technology company have increased greatly, requiring a large amount of funds to purchase raw materials for producing ecological floats. After learning about the situations of the enterprise, Weihai City Commercial Bank scientifically measured the green credit linkage indicators, tailored the “Sustainable Marine Development Performance Target Linked Loan” financing plan, linked the loan interest rate with the sustainable development performance target pre-set by its parent company, i.e., kelp carbon sequestration, and drove successful landing of such loan with professional and efficient financial services, which effectively reduced the cost of corporate financing and facilitated the simultaneous enhancement of economic, social and ecological benefits.

CHAPTER 3 QUALITY SERVICE AND FOCUS ON CUSTOMER EXPERIENCE

3.1 INTRODUCING DIGITAL TECHNOLOGY

Adhering to the transformation concept of “respecting growth and efficiency”, the Bank studied and formulated the Digital Transformation Plan for 2021-2023, which defined the transformation vision, objective and value proposition, designed ten key measures for digital transformation, refined them into specific digital transformation projects for landing and implementation, clarified transformation ideas, and established the overall framework of “1363” digital transformation, namely “1 value proposition, 3 business systems, 6 digital capabilities and 3 basic supports, so as to be committed to building the Bank into a “double first-class” “smart digital bank”.



Overall Framework Design for Smart Digital Bank

3.1.1 Creating scenario finance and empowering business growth

The Bank built an open banking platform, strengthened cooperation in external scenarios, released a total of six service interfaces and realized the opening of six scenarios, i.e., taxation, talent, office, tobacco, inclusion and technology innovation. In the meantime, the Bank built a digital service platform integrating “scenario + finance” and a digital inclusive financial platform to provide one-stop financial services for small and micro enterprises, thus enhancing the market competitiveness of its inclusive products. The Bank launched the supply chain financing platform to realize the 1 + N platform marketing of supply chain financing, facilitating financing by upstream suppliers of core enterprises; and released the agent transaction management platform to comprehensively support the operations of foreign exchange forwards, foreign exchange swaps, plain vanilla options, currency swaps, interest rate swaps, interest rate options and other similar products, and also to support the second-level quoted price refresh and real-time quotation, improving the direct connection between the Bank and its peers, facilitating the business linkage between the Head Office and branches, and accelerating the processing efficiency of back-office operations.

Chapter 3 Quality Service and Focus on Customer Experience

3.1 INTRODUCING DIGITAL TECHNOLOGY (CONT'D)

3.1.2 Enriching customer-facing channels and enabling experience optimization

The Bank launched video banking, broke through the space limitation and enhanced the convenience for customers to handle the transactions; and so far, it has realized remote handling of 15 business scenarios including password reset and customer information maintenance. In the meantime, the Bank launched the mobile banking APP6.0, which centered on “ultimate user experience” and made every effort to build a comprehensive mobile finance service platform that was open, scenario-based, intelligent, ecological, secure, easy-to-use and agile, with the number of mobile banking users registered in the Bank reaching 3,194,000, an increase of 604,500. Besides, the Bank launched intelligent customer services, enriched customer service channels, enabled text robots, effectively covered 23 outbound task scenarios including frequent customer queries and intelligent outbound call, and also covered business scenarios such as notification, return visit, loan repayment reminder and collection, effectively reducing service costs while elevating customer service efficiency. In 2023, the number of transactions through electronic channels accounted for 86.68% of the total transactions.

3.1.3 Upgrading internal management and empowering efficient operations

The Bank launched an intelligent operation and management platform to visually display the operations of outlets, machines, personnel and business volume, effectively monitor the abnormal behaviors of employees, institutions and customers, provide timely data support for administration and decision-making, and further improve the operational risk prevention and control capability and service quality and efficiency. Through the launch of CBUS5.0 smart banking system, the average counter processing time decreased by 25%, and the service duration for individual customers to handle multiple transactions at one time decreased by 35%, comprehensively improving the operation and management efficiency and customer service quality. As well, the Bank launched a unified portal and an internal office platform for mobile office work, which integrated instant messaging, unified portal, enterprise network disk and enterprise mailbox to create a digital office ecosystem, realize the agility of bank-wide management and operation modes, and improve the bank-wide office work efficiency; and meanwhile launched a managing cockpit, which connected with the bank-wide business operation data and related billboards, supported multi-channel access and display through smart big screen, PC terminal and mobile terminal, and realized data visualization, standardization, real-time and intelligence. And there were more than 723 online indicators, covering the business indicators of 10 management departments and offices across the Bank, providing convenient and intuitive data support for decision-making by the management.

3.1.4 Consolidating the technology base and empowering the industry-technology integration

The Bank established an organizational structure composed of “eight centers” for science and technology, and implemented an agile mode of IT front-end and business-technology integration and a human outsourcing resource pool mechanism. Through the online cloud platform, data middle platform and technology middle platform, the Bank formed a platform-based and service-oriented architecture system, built a new data center, and obtained the enhanced (A-level) certificate issued by China Quality Certification Center after being certified by authoritative institutions, thus providing stable support for digital construction at the infrastructure level. The information security management level of the Bank continued to improve, as demonstrated by that according to the ISO27001 standard system, the Bank established an information security management system for its scientific and technological lines from 14 security control domains as well as 35 security objectives and 114 control measures under such domains, and enhanced the capacity and level of information security protection in conjunction with the application of automatic information security management tools. In the meantime, the Bank established an innovation lab, successively incorporated 8 important “shaped” innovation projects including greenhouse loan and corporate CRM in the lab to carry out experience experiments, selected 309 experiencers including real customers to carry out simulated trials and research interviews, cumulatively put forward 908 experience optimization suggestions, and facilitated the efficient transformation of innovation projects from “shaping” to “maturity”.

Chapter 3 Quality Service and Focus on Customer Experience

3.2 ADHERING TO QUALITY SERVICE

The “Forerunner” activity for enterprise standards in the financial field jointly dominated by eight departments including the State Administration for Market Regulation and the People’s Bank of China aimed to improve the standardization level of enterprises in the financial field, form a number of “Forerunner” standards for outlet services with international leading level and market competitiveness in the banking industry, and realize an overall leap in the quality of outlet services. In this regard, the Bank actively responded to the call for national standardisation and formulated the “Outlets Service Standards”. And the Bank has been rated as the “Forerunner” in terms of its standards for bank outlet services for four consecutive years by virtue of its outstanding practicability, standardisation and advancement.

3.2.1 Continuously improving the product supply system

In line with the development concept of “providing online solution for offline business, enriching online business, and building strategic digital banking”, the Bank continuously enriched its online product categories, and developed and designed new products that met market and customer needs while fully amplifying the advantages of existing products. In 2023, the Bank launched new online products such as electronic warehouse receipt pledge loan, greenhouse loan and rose house mortgage loan, and meanwhile optimized and improved merchant loan and housing e-loan. And meanwhile, it released agriculture-benefiting loan in Weihai area, aiming at continuously upgrading the quality and efficiency of the Bank’s rural revitalization efforts.

3.2.2 Actively implementing the requirements of regulatory policies

The Bank made full use of the PBOC refinancing and policy bank re-loan policies, further strengthened the financial service capabilities of small and medium enterprises, effectively broadened the sources of funds to support small and micro enterprises, and continuously expanded the coverage and support of small and micro financial services.

3.2.3 Continuously broadening channels to enrich products

The Bank continuously improved its wealth management product system, and introduced wealth management products sold by wealth management subsidiaries such as CIB Wealth Management and Suyin Wealth Management to provide customers with diversified investment tools.

Chapter 3 Quality Service and Focus on Customer Experience

3.2 ADHERING TO QUALITY SERVICE (CONT'D)

3.2.4 Fully developing online loan services

The Bank deeply excavated customer data in various scenarios, accurately drew user portraits, and innovated a variety of new products such as quick-enjoy loan, bailout loan and assistance loan to meet the real financial needs of customers in such scenarios. The Bank fully combined its business advantages and geographical characteristics, finely delineated the customer group scenarios and integrated upstream and downstream scenario resources to provide customers with comprehensive financial service solutions.

3.2.5 Optimizing and improving services for special groups

The Bank attached great importance to financial services for the elderly and continuously optimized and upgraded the supporting facilities for payment by the elderly to provide safe, convenient, high-quality and efficient financial services for them. All business outlets opened “green channels” for services to the elderly, posted signs like “Green Channel for Serving the Elderly” and “Green Window for Serving the Elderly”, and prioritized the provision of services to the elderly; and these service personnel wearing the “Elderly Care Specialist” armband provided business counseling and guidance to the elderly. And the visiting or acting family member services were rendered to the elderly under special circumstances like mobility difficulty.

Case – Quality service delivered to your home

The Sub-branch received an urgent call for help from a person who claimed that his father’s old-age subsidy funds could not be credited to his account, but he himself was unable to come to the business outlet to handle the matter on-site because of suffering from blood clots and thus being unable to go downstairs. After receiving the call, the sub-branch quickly learned about the customer’s situations. At noon on the same day, the staffs of the sub-branch visited for on-site services to the customer and with the consent of the customer, the entrusted agent came to the service hall and successfully completed the activation, enabling the elderly to get help in time.



Chapter 3 Quality Service and Focus on Customer Experience

3.3 PROTECTING CUSTOMERS' RIGHTS AND INTERESTS

3.3.1 Strengthening process management

The Bank conducted consumer protection review and complaint hidden danger investigation, fully grasped the hidden dangers and resolved them in time. The Bank established a linkage disposal mechanism, attached great importance to and properly handled customer demands, and carried out complaint tracing and rectification, to seize the "small incision" in handling petitions and complaints, and strengthen the concept of "overall consumer protection" in extending services.

3.3.2 Enhancing complaint mechanism

The Bank adhered to the "12345" complaint handling mechanism, strengthened complaint data analysis, implemented entity responsibility and continuously strengthened supervision.

Consolidating the first-in-charge responsibility system: The Bank formulated the List of Responsibility System for Consumer Protection Subjects, and implemented the responsibilities to responsible leaders and specific posts one by one.

Adhering to the dual-line management of complaints: The Bank stipulated that customer complaints should be allocated and handled by the Service Supervision Department, the leading department, and also be assigned to the departments and offices under the Head Office subject to business ownership, and then the Head Office and branches should jointly seek resolutions.

Implementing the whole-process management of complaints of "hidden danger investigation beforehand, diversified solution in the process, and traceability management afterwards": The Bank strengthened front-end prevention and control and hidden danger investigation, and resolved customer demands according to the principle of "three in place and one handling"; and these departments and offices under the Head Office strengthened top-level design and carried out traceability management of customer demands.

Implementing the "four early" complaint control mechanism: Namely, "early detection, early reporting, early prevention and early resolution" to enhance handling efficiency.

Strengthening the five assessments of complaints: The Bank formulated a complaint control plan on an annual basis, strengthened the assessment and accountability, and incorporated the complaint assessment results into the five management assessments, including comprehensive operation performance.

Chapter 3 Quality Service and Focus on Customer Experience

3.3 PROTECTING CUSTOMERS' RIGHTS AND INTERESTS (CONT'D)

3.3.3 Disseminating financial knowledge

The Bank fulfilled its social responsibility, vigorously carried out education on financial knowledge popularization and publicity, and actively promoted the "centralization + position" mode of financial knowledge popularization and publicity. The number of audiences benefiting from financial knowledge popularization has reached 560,000 person-times.

- In 2023, the Bank carried out a series of activities including "3 • 15 Consumer Rights Protection Education and Publicity Week", "Financial Knowledge Going Everywhere" and "Financial Consumer Rights Protection Education and Publicity Month" one after another to enhance the awareness of risk prevention of financial consumers.
- By setting up consultation points in the service hall and distributing educational and promotional materials, the Bank popularized the knowledge related to the protection of financial consumers' rights and interests to its customers.

It actively promoted the "online + offline" financial knowledge popularization and publicity.

- Expanded the coverage of financial knowledge publicity through official websites, mobile banking, WeChat official account, etc.
- Deeply carried out the "five-entry" activities, namely entering rural areas, communities, campuses, enterprises and commercial districts, focusing on key groups and hot issues, and enhancing consumers' financial literacy.

Case:

(1) The Bank actively participated in the on-site publicity activity themed "2023 Financial Consumer Rights Protection Education and Publicity Month" as organized by Weihai Supervision Branch under the National Financial Regulatory Administration, during which the publicity focus was highlighted for different groups of people, young customers were alerted to stay away from illegal fund-raising and online gambling and keep rational consumption and reasonable lending, and elderly customers were explained the means of preventing telecommunication fraud through practical cases to enhance their awareness of fraud identification and prevention. And, the Bank participated in the on-site publicity activity themed "Five Entries to Countryside" as organized by Weihai Supervision Branch under the National Financial Regulatory Administration, and introduced the hazards from money laundering crimes, telecommunication fraud and illegal fund-raising to the villagers, aiming at reminding them to consciously stay away from and resist various financial fraud risks.



Chapter 3 Quality Service and Focus on Customer Experience

3.3 PROTECTING CUSTOMERS' RIGHTS AND INTERESTS (CONT'D)

3.3.3 Disseminating financial knowledge (cont'd)

Case:

(2) The Bank focused on the key groups covering "old, young and new citizens", combined financial education and publicity activities with the promotion of financial services, actively adapted to the financial needs of special groups including the elderly and the disabled, and organized the financial knowledge publicity activity of "benefiting the disabled and helping enterprises" to care for the disabled and warm their hearts, so as to help the elderly and new citizens solve the "digital divide problem".



Case:

(3) Linyi Sub-branch focused on the student population and carried out activities like "Financial Knowledge Entering the Classroom", explaining to university and college students the common means of financial fraud and the eight rights and interests of financial consumers in the light of actual cases occurring around them, guiding young people to establish a correct view of wealth, cultivating the concept of rational borrowing and lending, as well as building a secure firewall on campus to help the young grow up in a holistic manner.



3.3 PROTECTING CUSTOMERS' RIGHTS AND INTERESTS (CONT'D)

3.3.4 Preventing financial risks

1. *Controlling illegal fund-raising publicity*

According to different audiences, the Bank carried out targeted publicity activities to prevent and crack down on illegal fund-raising.

Strengthening hall publicity and guidance: All business outlets continued to scroll and play such slogans as "Holding Your Purse and Maintaining a Happy Family" on the LED display screen; and broadcast publicity videos through the electronic display screen, publicized the knowledge related to illegal fund-raising with banners, boards and leaflets as the carriers, explained the characteristics and means of committing crimes of illegal fund-raising to customers from multiple directions and angles by analyzing typical cases, made full use of various tools to strengthen the publicity effect, and improved customers' awareness of risk prevention and identification.

Conducting innovative publicity with new media: The Bank actively expanded online channels, strengthened online publicity efforts, widely pushed videos on preventing and cracking down on illegal fund-raising through new media channels like official websites, mobile banking and WeChat official account, popularized financial fraud prevention knowledge, disseminated the concept of law-abiding and compliance, guided the public to consciously resist and stay away from illegal fund-raising activities, and effectively protected the legitimate rights and interests of financial consumers.

Highlighting publicity and education to key people: The Bank carried out differentiated publicity, exposed new criminal methods of illegal fund-raising, raised audiences' awareness of risk prevention from illegal fund-raising and enhanced the effectiveness of publicity and education, to the elderly, farmers, retirees and other groups that were easily tempted by high-interest, to the middle-aged people, staffs of enterprises and institutions and other groups confused by the so-called "national policy support" and other types of publicity, as well as to young people, university and college students as well as people with fluke mind who sought high profits and made vanity consumption.

Carrying out "seven-entry" publicity and education: The Bank actively carried out the publicity activities around "entering institutions, enterprises, schools, rural areas, communities, families and outlets", and publicized related contents about preventing and cracking down on illegal fund-raising by conducting public welfare lectures, hanging banners, placing exhibition boards and distributing leaflets, so as to improve the accuracy and effectiveness of publicity and education.

Chapter 3 Quality Service and Focus on Customer Experience

3.3 PROTECTING CUSTOMERS' RIGHTS AND INTERESTS (CONT'D)

3.3.4 Preventing financial risks (cont'd)

2. Preventing pension fraud publicity

The Bank combined publicity activities around preventing pension fraud with daily risk prevention to enhance the risk awareness and ability of the broad masses of the people to consciously prevent and actively stay away from pension fraud.

Relying on outlets to create a publicity atmosphere: All business outlets of the Bank continued to roll out such publicity slogans as “Resolutely Cracking Down on Pension Fraud and Firmly Holding on to People’s Properties” on the LED display screen, broadcast publicity videos through the electronic display screen, explained various illegal fraud related knowledge to customers with banners, boards and pamphlets as the carriers, exposed various fraud means in the names of “pension services”, “pension program” and “pension assistance” in easy-to-understand language, introduced practical and easy-to-understand anti-fraud knowledge in a simple way, as well as continuously created a publicity and education atmosphere for preventing and combating pension fraud.

Leveraging new media to broaden publicity channels: The Bank, through online channels such as portal website, mobile banking, WeChat official account and WeChat moments, widely pushed relevant knowledge and warning cases on preventing pension fraud, expanded the publicity scope, guided the masses to invest legally and manage their wealth rationally, enhanced the awareness that “buyers shall be responsible for themselves” and “risks shall be borne by the parties concerned themselves”, and guided financial consumers to establish rational investment concepts and protect their legitimate rights and interests.

Carrying out differentiated publicity to key groups: The Bank attached importance to “innovative and unique” publicity and education, and conducted targeted publicity to key groups of people who were easily tempted by high-interest interests, such as the elderly, farmers and retirees, so as to expose new criminal methods of pension fraud, explain the hazards of various frauds and related knowledge about risk prevention, improve people’s awareness and ability of risk prevention from pension fraud, and enhance the effectiveness of publicity and education.



Chapter 3 Quality Service and Focus on Customer Experience

3.4 PROTECTING CUSTOMER PRIVACY

3.4.1 Improving the information protection system

The Bank formulated the Administrative Measures for Customer Information Protection, standardized the process of customer information use, and prevented and controlled the risk of illegal use and dissemination of customer information. The Bank established the Production Data Management and Control Program, covering the definition, backup and recovery strategy of data, and the safety protection measures and specific requirements for the extraction, use and destruction of production data. And the Bank took automatic desensitization measures prior to using production data in batches for non-production environments. In the meantime, it is clearly stipulated in the Customer Information Management Procedures for Core Systems that customer information includes but is not limited to basic customer information, account information, product or channel information, etc., for which the Bank and its staffs are responsible to keep customer information confidential. And customer information can only be accessed by the depositors themselves but cannot be provided to other units or individuals, except as otherwise provided by law.

3.4.2 Enhancing training on information protection

The Bank formulates a training plan every year, and publicizes the customer information confidentiality system by means of centralized training, rolling training and sub-branch secondary training, so as to ensure that employees are always vigilant and conscientious in implementation. In 2023, the Bank conducted multiple trainings on protecting customers' rights and privacy, with 100% coverage of education and training on compliance case prevention and warning.

3.4.3 Upgrading system control level

The Bank strictly controls the transaction authority as to any inquiry of customer and account information in the system based on the principle of "limited scope and strict confidentiality". If customers themselves apply for inquiry, the Bank will effectively identify the identity of depositors through online verification, face recognition and password verification. And for any inquiry of customer and account information as to anti-money laundering, gambling-related fraud and other investigations, the system will control the authorization.

CHAPTER 4 PUTTING PEOPLE FIRST AND CARING FOR EMPLOYEE DEVELOPMENT

4.1 PROTECTING EMPLOYEES' RIGHTS AND INTERESTS

The Bank highlights the grass-roots democracy, strives to achieve, maintain and develop the fundamental interests of its employees with heart and soul, timely announces major issues involving their vital interests through various meetings, WeChat public platform, publicity column and other channels, unblocks the channels for expressing their demands, guides them to safeguard their rights and interests according to law, promotes harmonious labor relations, and opens up the "last mile" for serving them.

4.1.1 Remuneration and benefits

In line with regulatory requirements, laws and regulations, and corporate governance requirements, the Bank establishes a remuneration system in the principle of "salary based on post, ability, performance and market reference". In accordance with relevant laws and regulations of China, the Bank provides social insurance and other welfare programs for its employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing provident fund and enterprise annuity.

4.1.2 Promotion system

The Bank carries out the strategy of "Strengthening the Bank with Talents" in depth, establishes the concept of "Managing Talents throughout the Bank", makes good career plans for employees, improves the competitive employment mechanism, unblocks the promotion channels for employees, continuously cultivates and taps potential talents, and enhances the endogenous motivation of the entire Bank. The Bank creates an atmosphere of "cherishing talents", deeply implements the "talent exception system", opens its mind, recruits widely, cherishes and retains talents; and in the meantime, creates an atmosphere of "utilizing talents", boldly selects and utilizes outstanding talents, and thus cultivates a group of professional, expert and innovative talents.

4.1.3 Contract guarantee

The Bank strengthens the management of labor contracts and continuously improves the provisions on the termination and dissolution of labor contracts and other circumstances. The contents of such labor contracts conform to the provisions of laws and administrative regulations, the subjects signing the contracts do so under the premise of mutual respect and equal consultation, and the rate of signing labor contracts is maintained at 100%.



Chapter 4 Putting People First and Caring for Employee Development

4.2 EMPOWERING EMPLOYEES TO GROW

4.2.1 Development and training

The Bank takes multiple measures to establish a multi-level and diversified training system. Focusing on the training mode of “educating talents, activating power, and improving quality and efficiency”, the Bank sets up a training system mainly based on the “sailing” training program for new employees, the “voyaging” training program for middle-level cadres, and the “pilot” training program for executives, as supplemented by line-specific training programs and various innovative practical trainings. The Bank establishes an internal course resource system, builds a team of internal trainers, and actively promotes the transformation of learning outcomes. In 2023, the Bank organized the program of “Craftsmanship Empowerment through Teachers and Courses”, designed and produced 1 training management system, 8 sets of key post learning maps, newly selected 32 certified internal trainers, and newly developed 15 courses; as well as organized internal trainers to participate in the activities including “Micro-class Competition” and “Lecturer Competition” organized by the Asian Union and the Expressway Group. And in the internal trainer competition organized by the Asian Union, 3 contestants won 2 special prizes and 1 first prize by virtue of their professional level and wonderful performance, highlighting the purpose of “replacing learning and promoting training with competition” and promoting the level of its internal trainers.



Account manager competency enhancement training



Information technology risk training



Risk management training



Centralized training of operation lines

Chapter 4 Putting People First and Caring for Employee Development

4.2 EMPOWERING EMPLOYEES TO GROW (CONT'D)

4.2.2 "Three matters" for talent selection

Adhering to the principles of "three matters", i.e., "good or bad character, high or low level, and small or big contribution", and "three no matters", i.e., "no matter the age, no matter the length of time, and no matter the seniority", and following the standards of "youthfulness, knowledge and specialization", the Bank selects talents by quality, uses cadres by performance, and intensifies the efforts for talent selection and introduction. In addition, the Bank analyzes the age structure of the existing cadres and reserves talents in a forward-looking and planned manner in conjunction with the characteristics of talent mobility and on the basis of the principle of pragmatism and efficiency.

4.3 EMPHASIZING EMPLOYEE CARE

4.3.1 Creating a healthy workplace

The Bank attaches great importance to the physical and mental health and safety of employees, provides them with welfare programs and health promotion activities including health check-ups and supplemental medical insurance, and continuously promotes employee care and concern. And the Bank actively carries out psychological lectures, fire protection knowledge training and cool-off activities for them, and organize various cultural and sports activities, etc. to create a healthy and harmonious working environment in all directions.



Fire safety education and escape drill training at the Head Office



Staff sports meeting



Summer cooling program for caring employees



Activity on the Arbor Day

Chapter 4 Putting People First and Caring for Employee Development

4.3 EMPHASIZING EMPLOYEE CARE (CONT'D)

4.3.2 Caring for female employees

The Bank strictly implements the “five-phase protection” policy, actively launches the activities including one themed “Striving to Open a New Situation While Demonstrating the Power of Female”, “Women’s Day” theme activities and a series of health lectures, publicizes and popularizes the Labor Protection Law for Women Workers in Shandong Province as well as other laws and regulations, and provides intimate services including policy consultation, birth permit handling and newborn settlement for women at the childbearing age, helping further enhance the awareness of women workers to protect their own rights and interests, and further demonstrating the role of women workers in contributing to enterprise reform.



Celebrating the “Women’s Day”

4.3.3 Helping employees in difficulty

Focusing on the needs of employees and building a “caring” trade union. The Trade Union of the Bank changes from “holiday care” to “year-round care” and from “care in case of trouble” to “care in everything”, creating a good atmosphere of “caring for employees and moving people with emotions”. In the meantime, the Bank organized the activities including “2023 Rukang Home ‘99 Public Welfare Day’ Network Fundraising Campaign” and “Compassionate Day Donation”, obtaining a cumulative donation up to RMB270,000 as a result; and carried out employee volunteer activities 54 times to contribute to financial knowledge publicity, corporate financial needs, telecommunication fraud prevention and other fields, winning wide acclaim from local governments, social groups, enterprises and institutions. The Trade Union of the Bank distributed birthday benefits to its members, totaling RMB53,800; and organized warmth-sending activities during the Spring Festival, visiting and comforting 282 retired cadres and employees in difficulty.

Focusing on helping the needy and continuously improving the security system. The Bank has always adhered to the concept of doing practical things and good things for employees, earnestly implemented the system of mutual medical aid and of help and assistance for employees, kept a close eye on the groups of employees in difficulty, accurately identified the objects in need of help and assistance, established files for employees in difficulty, intensified assistance to them, and realized the “seamless connection” between daily assistance and centralized assistance as well as between key assistance and classified assistance. In 2023, the Bank distributed the relief funds totaling RMB95,000 and helped 51 employees in total, greatly alleviating the economic burden of the employees in difficulty and further enhancing their sense of security and centripetal force.

CHAPTER 5 CONTRIBUTING TO THE PUBLIC GOOD FOR A BETTER FUTURE

The Bank has always actively fulfilled its corporate social responsibility, attached importance to public welfare and charity, and actively committed itself to giving back to the community and caring for vulnerable groups. In 2023, the number of beneficiaries of public welfare and charity programs reached 349, and the amount of public welfare and charity donations reached RMB180,000.

(1) Assisted a village by RMB150,000: 1. Invested RMB50,000 to install 21 photovoltaic panels for power generation; 2. Invested RMB20,000 to help 10 poor households; 3. Invest RMB60,000 to repair 180m hardened and damaged pavement; and 4. Invested RMB20,000 to repair 3,000m mountain roads and the green flower walls. (2) Assisted a nursing home by RMB30,000: 1. Invested RMB25,000 to buy 100 sets of cotton-padded jacket and 500 packs of diapers for the elderly; and 2. Invested RMB5,000 to buy 2 stainless steel water dispensers.



One-day donation activity



Caring for left-behind children



Voluntary activities to clean up the environment



Volunteer service

Chapter 5 Contributing to the Public Good for a Better Future

Case: “Love for Children” charity donation activity

With a view to further helping rural revitalization and making more poor children feel caring and warm, the Rural Revitalization Assistance Group of Jinan Branch under the Bank and subdistrict offices held a charity donation activity themed “Love for Children” in Bianzhuang Village, a partner assistance village. At the activity, the organizing unit distributed a variety of school and sports supplies to the children there, and communicated with their parents to encourage them to work hard in learning and contribute to rural revitalization in the future.



Case: Dongying Branch carried out the public welfare action themed “Offering the Same Love for the Same River” to protect the Yellow River

Dongying Branch organized all its party members and cadres to carry out the public welfare action themed “Offering the Same Love for the Same River” to protect the Yellow River on the river embankment. These volunteers cleaned up the garbage on both sides of the embankment, took the lead in practicing the environmental protection concept of “Lucid waters and lush mountains are invaluable assets” through their own actions, and thus contributed to the ecological protection and high-quality development of the Yellow River Basin.



CHAPTER 6 STICKING TO THE BOTTOM LINE AND PROMOTING PRUDENT OPERATION

6.1 LEADING DEVELOPMENT WITH PARTY BUILDING

The Bank has studied and implemented the spirit of the 20th National Congress of the Communist Party of China, conducted in-depth theme education, actively organized model selection, carefully built the party building brand of “Smooth Access under Heart towards the Party”, unswervingly “observed the Party’s instructions, felt grateful to the Party and followed the Party”, integrated party building into development, led and promoted development with party building, carried out in-depth the “three-year” activity, i.e., Compliance Year, Inclusiveness Year and Green Power Year, as well as constantly created a positive atmosphere and promoted development through activities. The Bank has solidly carried out education on the theme of learning and implementing Xi Jinping’s socialist thought with Chinese characteristics in the new era, and organized a series of activities such as thematic reading class, theoretical group study, research results exchange, democratic life meeting, etc., so as to effectively transform the learning results into a powerful force for guiding the practice and promoting the work. In addition, the Bank’s party building brand of “Smooth Access under Heart towards the Party” won two national special prizes, i.e., “Excellent Case in Boosting Enterprises with Brand” and “Innovation Achievements of Enterprise Party Building Brand”, further leading the bank-wide high-quality development through high-quality party building.

6.2 UPGRADING GOVERNANCE LEVEL

6.2.1 Perfecting governance structure

In accordance with the regulatory requirements and the standards for listed banks, the Bank has established a corporate governance structure system consisting of Shareholders’ General Meeting, Board of Directors, Board of Supervisors and Senior Management, with each performing their respective duties, taking their respective responsibilities, operating as coordinated and realizing effective checks and balances. And the Bank has organically unified the leadership of the Party and the improvement of corporate governance, given full play to the core role of the Party organization, and formed a modern commercial bank corporate governance system with Chinese characteristics.

The Shareholders’ General Meeting is the highest authority of the Bank, and shareholders exercise their voting rights according to law and participate in major decisions of the Bank through attending the Shareholders’ General Meeting. The Board of Directors is the decision-making body of the Bank and consists of 15 directors, including 5 independent directors and 1 employee director. The Board of Supervisors is the supervisory body of the Bank, and the Supervisors include shareholder supervisors, external supervisors and employee supervisors, with no less than one-third of them being employee supervisors and external supervisors.

The Board of Directors consists of 6 special committees for strategic development research, connected transaction control, risk management, nomination and remuneration, audit and consumer rights protection, with the members of each of these committees being directors, and the heads of the committees for connected transaction control, nomination and remuneration, and audit being independent directors. The Board of Directors and each special committee of the Bank can scientifically formulate strategic plans, regularly understand the Bank’s operating conditions, financial status, risk management, connected transactions and internal control, and make timely decisions on major issues. And independent directors can express objective and fair independent opinions on major connected transactions, the appointment and dismissal of directors and senior executives, etc.

6.2 UPGRADING GOVERNANCE LEVEL (CONT'D)

6.2.1 Perfecting governance structure (CONT'D)

The Board of Supervisors consists of one supervision committee and one nomination committee, both of which are headed by external supervisors. Every year, it issues an evaluation report on the annual performance of directors and senior management, regularly reviews reports, and focuses on supervising whether there are violations of laws and regulations in the process of decision-making, management and execution that are detrimental to the interests of the Bank and its shareholders, so as to continuously improve the supervision efficiency.

In 2023, the Bank held one general meeting of shareholders, at which 13 motions were considered, and four board meetings, at which 60 motions were considered. Supervisors of the Bank perform their duties conscientiously, actively participate in the meetings of the Board of Supervisors and investigation activities, attend general meetings of shareholders, sit in on meetings of the Board of Directors, and express their opinions independently.

6.2.2 Protecting investors' rights and interests

The Articles of Association and other systems of the Bank clarify the rights and obligations of shareholders, including small and medium-sized shareholders, and ensure the reasonable rights and interests and equal status of these shareholders.

1. *Information disclosure*

The Bank has released the Shareholder Communication Policy and the Information Disclosure Management System, which stipulate that the Bank may disclose information on periodic reports, performance announcements, notices of Shareholders' General Meetings, corporate communications, major financial information, enterprise regulation and structure and functions of the Board of Directors according to law through the official website and the website of The Stock Exchange of Hong Kong Limited, thereby effectively ensuring shareholders' awareness and mastery of the Bank's operation, management and development status, and also ensuring the equal status and right to know of small and medium-sized shareholders.

2. *Protection of shareholders' rights*

The Bank has established an independent director system and an external supervisor system according to law, paying attention to the interests of small and medium-sized shareholders. In the meantime, the Articles of Association stipulates that controlling shareholders and actual controllers have the obligation of good faith to the Bank and its other shareholders, shall exercise their rights of contributors in strict accordance with the law, but shall not take advantage of their controlling positions to jeopardize the interests of the Bank and its other shareholders, and shall further safeguard the legitimate rights and interests of other shareholders, especially small and medium-sized shareholders.

The Rules of Procedure for Shareholders' General Meeting formulated by the Bank stipulates that shareholders are entitled to attend the general meetings of shareholders and exercise their voting rights. All such small and medium-sized shareholders can obtain the information on attending such meetings through various channels such as the official website of the Bank, the website of The Stock Exchange of Hong Kong Limited, newspapers and periodicals, and can exercise their rights by such attendance.

6.2 UPGRADING GOVERNANCE LEVEL (CONT'D)

6.2.2 Protecting investors' rights and interests (CONT'D)

3. *Checks and balances for small and medium-sized shareholders*

The Articles of Association of the Bank specifically stipulates that in addition to normally participating in the general meetings of shareholders to exercise their voting rights, the Shareholders' General Meeting shall follow a cumulative voting system when voting on electing directors and supervisors, so as to effectively improve the right to speak of small and medium-sized shareholders and give full play to their checks and balances in corporate governance.

6.2.3 Investor relationship management

The Bank ensures a virtuous circle between investor relations management and market value management, further promotes market exchange and communication to convey the investment value, and forms a favorable expectation for its future development prospects.

After the listing, the Bank organized visits and investor roadshows, approached Hong Kong to communicate on-site with The Stock Exchange of Hong Kong Limited, various intermediaries, existing H-share shareholders and potential investors, and got professional suggestions on how to achieve high-quality development based on Hong Kong capital market, so as to tap corporate value, do a good job in market value management and realize organic unity between corporate market value and intrinsic value.

According to relevant requirements of the Implementation Opinions of Shandong Provincial State-owned Assets Supervision and Administration Commission on Promoting the High-quality Development of Provincially-held Listed Companies, the Bank formulated the Work Plan on Promoting the High-quality Development of Listed Companies that focused on the peer-to-peer comparison and analysis of the Bank's valuation and liquidity, and also formulated a practical enhancement plan on how to achieve high-quality development in the future, specifically do a good job in investment management and improve the valuation and liquidity.

In addition, the Bank hires a public relations company to assist itself in formulating annual public relations plan and work program for investor relations, maintains good communication with intermediaries and analysts in its daily work, keeps a close eye on the capital market dynamics and the market performance of its peers, and focuses on studying and learning the specific practices of outstanding listed peers in investor relations. And by exploring and summarizing its highlights, the Bank continuously enhances the quality and efficiency of its investor relations-related work with reference to the focus of the public and the news media, and strives to establish its positive image in the capital market.



6.3 STRENGTHENING INTERNAL CONTROL COMPLIANCE

6.3.1 Building a compliance culture

In 2023, the Bank organized a campaign called "Compliance Year" throughout itself to enhance the bank-wide compliance management. And the Bank set the goal of "three zeros and one enhancement" for such a campaign:

Objectives	Countermeasures
"Zero tolerance": To keep zero tolerance for violations related to cases, major petitions and complaints, and regulatory concerns with hidden risks	Combine with past cases, petitions and complaints, and regulatory concerns regarding potential risks, clarify the top ten "zero tolerance" behaviors, continuously carry out graded and classified inspections, organize rectification, training and assessment based on inspection results, timely update and improve the Compliance Case Handbook, and carry out compliance inspections in a circular manner to achieve closed-loop compliance management.
"Zero occurrence": To maintain zero occurrence of repeated violations in external inspections and internal audits	Develop standardized case manuals, strengthen training, inspection, rectification and accountability, and earnestly achieve "zero occurrence" of repeated investigations and repeated problems
"Zero case": To ensure zero case in compliance management throughout the year	Intensify training efforts on laws, regulations and regulatory requirements, conduct regular education on case warnings, establish a prevention and control mechanism combining self-supervision and mutual supervision, strengthen attention and guidance on employee thoughts and behaviors, conduct large-scale case risk investigations, as well as intervene in risk clues early to ensure "zero case" in compliance management.
"One enhancement": To realize "enhancement" in bank-wide compliance management	Form the consciousness of "respecting compliance and resisting violations" throughout the Bank, continuously strengthen the compliance awareness of all staffs, continuously enhance their ability to fight against violations, take problem-oriented approach, strengthen training, inspection, rectification and accountability, fundamentally deal with various violations, and achieve "enhancement" in the compliance management level.

6.3 STRENGTHENING INTERNAL CONTROL COMPLIANCE (CONT'D)

6.3.2 Compliance case prevention

(1) The Bank has established a sound case prevention management system, and formulated the case prevention management systems such as the Management Measures for Criminal Cases and the Assessment and Management Procedures for Case Prevention Knowledge Testing; (2) The Bank has formulated an annual case prevention compliance work plan, organized and carried out risk prevention and control investigations on a quarterly basis, focused on identifying risk points in various business lines, strengthened risk control, and eliminated various types of case risks; and (3) The Bank has conducted compliance case prevention and warning training such as the "Case Lecture Hall", analyzed specific cases, and conducted a full-process case risk prevention and control publicity, so that all cadres and employees in the Bank were warned and educated, and kept to the bottom line, thereby forming a case prevention compliance atmosphere of "being unwilling, unable and afraid to violate rules".

The Bank continuously strengthened the study of case prevention compliance knowledge, organized branches to carry out case prevention compliance knowledge tests every month, continuously improved the understanding ability of personnel at all levels and positions on behavior prohibitions and operation red lines, and strictly assessed according to the Assessment and Management Procedures for Case Prevention Knowledge Testing, so as to achieve the effect of promoting learning by testing and promoting improvement by learning. In 2023, the number of participants in compliance and warning education exam reached 25,400.

6.3.3 Strengthening anti-money laundering management and control

➤ *Measures*

In line with the requirements of laws and regulations on anti-money laundering and in combination with the actual work, the Bank has established a sound anti-money laundering internal control system, clearly stipulating anti-money laundering work including customer identification, customer identity data, transaction record preservation, large-value transaction, suspicious transaction reporting and money laundering risk assessment. All line departments further integrated anti-money laundering regulations into the systems, operational procedures and business systems based on actual business needs, and refined them into business links and operational post requirements to ensure effective implementation of the anti-money laundering system. On this basis, the Bank added, revised and improved the anti-money laundering system in time subject to regulatory requirements and business practice, ensuring the standardization, effectiveness and operability of the system and meeting the needs of relevant work.

6.3 STRENGTHENING INTERNAL CONTROL COMPLIANCE (CONT'D)

6.3.3 Strengthening anti-money laundering management and control (CONT'D)

➤ *Training*

The Bank organizes anti-money laundering training in various forms and at various levels every year. It organizes trainings on laws and regulations related to anti-money laundering, internal control system, daily operation specifications, etc. by holding working meetings, centralized training, online training and on-site supervision training. In the meantime, it organizes senior executives to participate in the policy situation training on anti-money laundering, and incorporates basic anti-money laundering knowledge training into the induction training for new comers to ensure that such trainings cover these personnel at different levels and positions. The trainings conducted by the Bank include: Firstly, organize personnel to participate in the trainings carried out by Shandong Branch of the People's Bank of China and Shandong Provincial Banking Association to strengthen the participants' understanding of the current anti-money laundering situations and the latest policies; secondly, organize trainings for senior executives, anti-money laundering position holders and new comers; thirdly, establish a working group for personnel handling anti-money laundering, share the highlights of branches and sub-branches in anti-money laundering in a timely manner, check and find problems, rectify and assess the accountability, inspire the advanced ones and spur the backward ones; and fourthly, have each branch conduct secondary training according to its own business development, including anti-money laundering training for front-line operators and anti-money laundering position holders through morning meetings, evening meetings and weekly learning time.

➤ *Publicity*

In order to effectively prevent and combat money laundering and terrorist financing activities, implement the requirements of various anti-money laundering publicity activities organized by the People's Bank of China, as well as enhance the anti-money laundering awareness of the people, the Bank has established a long-term anti-money laundering publicity mechanism, adopted diversified publicity methods, carried out in-depth publicity, and pushed forward the extensive, normal and long-term publicity work.

(1) Used TV in the hall to broadcast publicity videos, applied the electronic screen to scroll out publicity slogans, made publicity panels, and placed publicity materials; (2) Grasped the publicity position in the hall, set up an anti-money laundering consulting window, distributed publicity materials, catch-on papers and questionnaires, explained specific cases, and invited people in for publicity; (3) Went out to publicize, and organized special activities such as anti-money laundering publicity into shopping malls, communities, stations and schools; (4) Went deep into the gridded publicity responsibility area, and docked with Mishan Town, Chengshan Town, Buliu Town and Yuli Town to carry out in-depth and wide-coverage publicity; (5) Used new media represented by WeChat and official account to push anti-money laundering related articles and expanded the scope of publicity; and (6) Widely mobilized cadres, employees and the public to participate in the third anti-money laundering knowledge network competition and centralized publicity activity in Shandong Province, and made use of WeChat official account, posters, boards, LED and other channels for publicity.

6.3 STRENGTHENING INTERNAL CONTROL COMPLIANCE (CONT'D)

6.3.3 Strengthening anti-money laundering management and control (CONT'D)

➤ *Publicity (CONT'D)*

Through such publicity activities, the Bank popularized the basic knowledge of anti-money laundering, promoted the positive financial energy, made the general public feel the social harmfulness of money laundering activities and the importance of staying away from money laundering traps, improved their awareness and ability of self-protection, and created a good atmosphere for the whole people to promote anti-money laundering.

The Bank actively carried out anti-money laundering publicity and thus won the Outstanding Contribution Award of the Third Anti-Money Laundering Knowledge Network Competition in Shandong Province as issued by Shandong Provincial Anti-Money Laundering Joint Conference Office.



6.3 STRENGTHENING INTERNAL CONTROL COMPLIANCE (CONT'D)

6.3.4 Protecting intellectual property rights

In order to protect and manage intellectual property rights, the Bank has formulated its Intellectual Property Management Measures pursuant to relevant laws and regulations such as the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China, so that intellectual property rights can be protected according to rules and regulations. The Legal and Compliance Department under the Head Office is the comprehensive management department for managing the Bank's intellectual property rights, which conducts intellectual property protection and management as required by the Measures, and is responsible for taking the lead in the application and maintenance of intellectual property rights of the Head Office and in handling intellectual property related disputes, lawsuits and other related matters of the Bank. Externally, the Bank comprehensively monitors the circumstances involving intellectual property rights to prevent infringement upon third parties' intellectual property rights, and ensures that various software as used have been legally authorized. In the meantime, the Bank actively carries out intellectual property publicity, and promotes the awareness and ability of intellectual property protection of its employees and customers through media publicity at business outlets, community publicity around outlets and We-Media online publicity. Internally, relevant departments of the Bank are responsible for monitoring intellectual property infringement under their respective jurisdictions, timely submitting them to the leading department and cooperating in intellectual property protection efforts.

6.4 COMPREHENSIVE RISK MANAGEMENT

The Bank has established a comprehensive risk management system covering all employees, processes and institutions as well as various risk forms, thereby forming a centralized and vertical risk management system with overall linkage and mutual restriction among the front, middle and back offices. In the meantime, the Bank has established a risk management structure composed of the Board of Directors, the Board of Supervisors, the Senior Management and various competent risk departments; and all risk management efforts run effectively with powerful checks and balances.



6.4 COMPREHENSIVE RISK MANAGEMENT (CONT'D)

6.4.1 System guarantee

The Bank has formulated the Comprehensive Risk Management Outline, the Risk Management Outline, the Risk Appetite Strategy, etc. as programmatic documents for its comprehensive risk management, and established specific management systems covering credit risk, market risk, liquidity risk and operational risk to ensure the effective promotion of various risk management efforts.

6.4.2 Early warning system

The Bank has built a credit risk early warning system, aggregated data and information from both inside and outside the Bank to build a risk model, provided early warning on customers' credit behavior, financial situation, judicial litigation, credit information, etc., and realized timely alarms on customers' major risk signals and cumulative early warning on weak signals.

6.4.3 Risk assessment system

The Bank continuously optimizes its risk management assessment system, strengthens the business performance assessment of key risk control indicators, consolidates the evaluation and assessment of compliance implementation, and continuously transmits the "risk-oriented and compliance-first" business philosophy to help its own business continue to develop steadily.

6.4.4 Risk assessment and screening

The Bank conducts comprehensive business risk investigation every quarter, lays emphasis on these areas with high business proportion and outstanding risks, ensures that major risks are identified, evaluated and controlled, and forms the Risk Investigation Report ultimately. The Bank carries out a comprehensive risk assessment every year, assessing both the dimensions of management responsibilities and business risks, and forming the Annual Risk Assessment Report that fully reveals the inherent risk levels, risk management capabilities and risk development trends of its various operations.

6.4.5 Risk prevention and control training

The Bank regularly conducts management training and emergency drills on credit risks, information technology risks and reputation risks, aiming at improving employees' risk prevention and control ability and coping level.



Participating in the reputation risk and public opinion management training



Conducting a training around credit risks

APPENDIX 1. ESG PERFORMANCE

Environmental Performance ¹	Unit	2023	2022	2021
Air Emissions^{2, 3}				
Nitrogen oxides (NO _x)	kg	84.2	73.65	93.29
Sulphur oxides (SO _x)	kg	0.25	0.18	0.22
Particulate matter (PM)	kg	8.07	7.06	8.94
Greenhouse Gas Emissions⁴				
Direct greenhouse gas emissions (Scope 1) ⁵	tonne of CO ₂ e	36.91	34.34	41.32
Indirect greenhouse gas emissions (Scope 2) ⁶	tonne of CO ₂ e	184.82	148.23	173.99
Total greenhouse gas emissions (Scopes 1 and 2)	tonne of CO ₂ e	221.73	182.57	215.31
Greenhouse Gas Emissions Intensity				
Greenhouse gas emissions intensity (area)	tonne of CO ₂ e/m ²	0.02	0.03	0.04
Greenhouse gas emissions intensity (person)	tonne of CO ₂ e/staff	0.44	0.40	0.37
Energy Consumption				
Total electricity consumption	kWh	312,303	255,133	285,189
Total electricity consumption intensity (area)	kWh/m ²	20.72	47.83	53.46
Total electricity consumption intensity (person)	kWh/staff	622.12	555.85	491.71
Gasoline consumption by vehicles	liter	16,858	12,158	14,737
Water Consumption				
Total water consumption	m ³	3,520	2,304	2,345
Total water consumption intensity (area)	m ³ /m ²	0.23	0.43	0.44
Total water consumption intensity (person)	m ³ /staff	7.01	5.02	4.04

¹ The scope of environmental data includes the Bank's head office.

² Air emissions from the vehicles of the Bank.

³ Calculated using the emission factors in the Appendix II "Reporting Guidance on Environmental KPIs" published by the Stock Exchange.

⁴ The calculation is made by reference to the Greenhouse Gas Protocol published by the World Resources Institute and the World Business Council for Sustainable Development.

⁵ The direct greenhouse gas emissions were generated from the sources owned and controlled by the Bank.

⁶ The indirect greenhouse gas emissions were caused by electricity generation, heating and cooling.

Appendix 1. ESG Performance

Environmental Performance ¹	Unit	2023	2022	2021
Hazardous Waste				
Generation of used computers	unit	232	50	0
Recycling of used computers	unit	232	50	0
Generation of used toner cartridges/ink boxes	unit	652	602	568
Recycling of used toner cartridges/ink boxes	unit	652	602	568
Generation of used batteries	unit	64	128	4
Recycling of used batteries	unit	64	128	4
Non-hazardous Waste				
Generation of non-hazardous waste	ton	0.38	0.34	0.34
Non-hazardous waste intensity (person)	kg/staff	0.76	0.74	0.59
Recycling of non-hazardous waste	ton	0.19	0.14	0.17
Paper Consumption				
Total paper consumption	ton	11.98	10.51	11.24
Paper consumption intensity (person)	tonne/staff	0.0036	0.0031	0.0037
Green Office				
Electronic bill paper saving	ton	1.63	1.52	1.08
Comprehensive signing rate of electronic reconciliation	%	98.73	98.46	97.60
Customers signed through WeChat banking in the year	Ten thousand customers	6.04	5.19	4.66
Customers signed personal mobile banking in the year	Ten thousand customers	319.40	253.31	195.87
Total number of meetings	times	13,900	10,200	9,700
Number of video conferences held	times	6,200	6,100	5,000

Appendix 1. ESG Performance

Social Performance ⁷	Unit	2023	2022	2021
Total Number of Staff (by Gender)				
Female staff	person	1,872	1,836	1,711
Male staff	person	1,447	1,423	1,333
Total Number of Staff (by Age Group)				
Aged below 30	person	662	655	760
Aged 30-50	person	2,479	2,453	2,154
Aged over 50	person	178	151	130
Total Number of Staff⁸ (by Staff Category)				
Grassroots staff	person	2,410	2,363	2,193
Middle management	person	899	886	840
Senior management	person	10	10	11
Total Number of Staff (by Geographical Region)				
Staff from Shandong Province	person	3,069	3,006	2,808
Staff outside Shandong Province	person	250	253	236
Staff Turnover Rate⁹ (by Gender)				
Female staff	percentage	5.1	5.7	5.3
Male staff	percentage	8.9	7.1	8.9

⁷ The scope of social data includes the entire group.

⁸ This year, the total number of staff by geographical region is staff from Shandong Province and staff outside Shandong Province.

⁹ Calculation method: number of staff turnover in this category ÷ number of staff in this category at the end of the year × 100%.

Appendix 1. ESG Performance

Social Performance ⁷	Unit	2023	2022	2021
Staff Turnover Rate (by Age Group)				
Aged below 30	percentage	11	10	10.6
Aged 30-50	percentage	6	5.7	5.9
Aged over 50	percentage	1.1	0	0.8
Staff Turnover Rate (by Geographical Region¹⁰)				
Staff from Shandong Province	percentage	6.8	6.2	6.6
Staff outside Shandong Province	percentage	6.8	7.9	9.3
Percentage of Staff Trained¹¹ (by Gender)				
Female staff	percentage	100	100	100
Male staff	percentage	100	100	100
Percentage of Staff Trained (by Staff Category)				
Grassroots staff	percentage	100	100	100
Middle management	percentage	100	100	100
Senior management	percentage	100	100	100
Average Number of Training Hours Per Staff¹² (by Gender)				
Female staff	hour	42	40	40
Male staff	hour	42	40	40

¹⁰ This year, staff turnover rate by geographical region is the rate from Shandong Province and the rate outside Shandong Province.

¹¹ This year, the calculation method of percentage of staff trained: number of staff trained in this category ÷ total number of staff in this category x 100%.

¹² Calculation method: total number of training hours of employees trained in this category ÷ total number of employees in this category.

Appendix 1. ESG Performance

Social Performance ⁷	Unit	2023	2022	2021
Average Number of Training Hours Per Staff (by Staff Category)				
Grassroots staff	hour	42	40	40
Middle management	hour	42	40	40
Senior management	hour	42	40	40
Occupational Health and Safety				
Work-related fatalities in the past 3 years (including the current year)	person	0	0	0
Rate of work-related fatalities in the past 3 years (including the current year)	percentage	0	0	0
Lost days due to work-related injuries	day	32 ¹³	0	283
Work-life balance				
Employee satisfaction	%	100	100	100
Number of trade union member representative meetings, number of full member meetings, and number of worker's representative meetings	times	1	1	1
Amount of employee assistance	ten thousand yuan	5.9	5.56	12.7
Public Welfare and Charity				
Number of public welfare and charity programs	unit	2	2	2
Number of beneficiaries of public welfare and charity programs	person	349	337	324
Amount of public welfare and charity donations	ten thousand yuan	18	13	13
Anti-corruption				
Number of concluded legal cases regarding corrupt practices brought against the Bank or staff	case	0	0	0

¹³ In this year, the number of lost days due to work-related injuries is calculated based on the actual year in which the leave occurred.

Appendix 1. ESG Performance

Social Performance ⁷	Unit	2023	2022	2021
Inclusive Finance				
Balance of loans to SMEs	hundred million yuan	1,139.31	949.32	808.32
Proportion of loans to SMEs	%	84.4	81.08	80.1
Balance of loans to MSEs	hundred million yuan	749.65	579.77	462.38
Proportion of loans to MSEs	%	55.54	49.52	45.82
Number of SME loan customers	customer	8,535	3,503	1,329
Number of SME loan customers	customer	8,236	3,232	1,045
Number of SME franchised institutions	unit	1	1	1
Support to Agriculture, Rural Areas And Farmers				
Balance of agriculture-related loans	hundred million yuan	331.21	304.04	310.41
Farmer loans	hundred million yuan	33.4	38.08	51.46
Loans to rural enterprises and various organizations	hundred million yuan	262.95	244.93	238.47
Agriculture-related loans to urban enterprises and various organizations	hundred million yuan	34.3	20.78	20.19
Other agriculture-related loans	hundred million yuan	0.56	0.25	0.29
Proportion of agriculture-related loan balance to total loan balance	%	17.44	18.51	21.66
Services in People's Livelihood				
Balance of inclusive assistance	ten thousand yuan	2,968,733.76	2,396,169.77	2,075,795.17
Green Finance				
Balance of green loans	hundred million yuan	260.21	159.51	126.2
Investment scale of green bonds	hundred million yuan	2.38	2.38	3
Balance of loans to the industries with "high pollution & energy consumption and overcapacity"	hundred million yuan	5.23	9.22	12.31
Proportion of loans to the industries with "high pollution & energy consumption and overcapacity"	%	0.28	0.56	0.86

Appendix 1. ESG Performance

Governance Performance ¹⁴	Unit	2023	2022	2021
Corporate Governance				
Number of training sessions for party members	person-time	1,049	1,041	979
Number of members in the Board of Directors	person	15	15	15
Number of male directors	person	12	12	12
Number of female directors	person	3	3	3
Number of executive directors	person	5	5	5
Number of non-executive directors	person	4	4	5
Number of employee directors	person	1	1	/
Number of independent directors	person	5	5	5
Number of supervisors in the Board of Supervisors	person	8	9	9
Number of shareholder supervisors	person	3	3	3
Number of external supervisors	person	2	3	3
Number of employee supervisors	person	3	3	3
Number of meetings of the Shareholders' General Meeting	times	1	1	1
Number of issues considered or heard by the Shareholders' General Meeting	no.	13	18	17
Number of meetings of the Board of Directors	times	4	5	8
Number of issues considered or heard by the Board of Directors	no.	60	72	76
Average attendance at meetings of the Board of Directors	%	98	100	100
Number of meetings of the Board of Supervisors	times	4	4	5
Number of issues considered or heard by the Board of Supervisors	no.	68	72	74
Average attendance at meetings of the Board of Supervisors	%	94	100	100
Periodic reports, interim announcements, corporate governance documents, etc. disclosed during the Reporting Period	no.	38	38	33
Roadshow	times	2	/	/

¹⁴ The scope of governance data includes the Group.

Appendix 1. ESG Performance

Governance Performance ¹⁴	Unit	2023	2022	2021
Business Ethics and Anti-corruption				
Number of graft – and corruption-triggered litigation cases	no.	0	0	0
Number of person-times covered by anti-graft and anti-corruption training	person-time	About 12,400 person-times	About 9,600 person-times	About 3,000 person-times
Number of anti-money laundering trainings	times	23	21	19
Number of person-times covered by anti-money laundering training	person-time	5,475	2,775	4,104
Submission of block trade report	ten thousand copies	38	41	44
Submission of suspicious trade report	no.	1,935	2,328	2,745
Number of judged legal cases regarding corrupt practices brought against the Bank or staff	case	0	0	0
Compliant Operation				
Number of compliance and warning education and training sessions	times	7	6	6
Hours of compliance and warning education and training	Hours	30	25	24
Coverage rate of compliance and warning education and training	%	100	100	100
Number of participants in compliance and warning education exam	person-time	25,400	24,700	49,300
Party Building Work				
Number of grassroots party committees under the party committee of the Head Office	no.	18	18	18
Number of general party branches	no.	3	3	3
Number of party branches	no.	73	72	71
Number of party members	person	1,049	1,041	979

Appendix 1. ESG Performance

Governance Performance ¹⁴	Unit	2023	2022	2021
Employment and Labor Standards				
Confirmed incidents of discrimination	case	0	0	0
Confirmed incidents of forced labor	case	0	0	0
Confirmed incidents of child labor	case	0	0	0
Product and Service Improvement				
Online banking construction	person	50,911	49,923	86,326
Telephone banking construction	person	278,064	272,713	261,999
Personal mobile banking construction	person	3,193,985	2,533,106	1,958,741
WeChat banking construction	times	60,411	51,915	46,649
Self-service banking construction	no.	129	126	124
Customer service center construction	times	141,470	126,941	134,862
Number of smart counters	unit	228	196	197
Outlets covered by smart counters	no.	117	104	103
Coverage of smart counters	%	93.60	84.55	85.12
Manual service volume of remote banking	ten thousand person-times	5.78	3.07	0.12
Substitution rate of electronic banking channel	%	86.68	85.36	85.97
Information System Security and Data Security				
Number of information security training sessions	times	11	13	12
Person-time of information security training	person-time	4,054	4,182	3,412
Major information security and customer privacy disclosure events	case	0	0	0

Appendix 1. ESG Performance

Governance Performance¹⁴	Unit	2023	2022	2021
Intellectual Property Protection				
Number of intellectual property rights	case	6	6	4
Consumer rights protection				
Customer complaint handling rate	%	100	100	100
Number of customer complaints	case	59	11	38
Complaint settlement rate	%	100	100	100
Number of training sessions on protecting customer rights and privacy	times	9	7	7
Coverage person-time of training sessions on protecting customer rights and privacy	person-time	557	526	533
Expenditure on consumer rights protection	ten thousand yuan	21	15	23
Accumulated number of activities to popularize financial knowledge	times	4	4	4
Number of audiences benefiting from financial knowledge popularization	person-time	560,000	400,000	380,000
Investment amount of financial knowledge popularization	ten thousand yuan	3	3	3
Supplier Management				
Supplier review coverage	%	100	100	100
Total number of suppliers	no.	197	184	164
Number of suppliers by region – Domestic	no.	197	184	164
Number of suppliers by region – Overseas	no.	0	0	0

2. INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDELINES OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Level, General Disclosure and Key Performance Indicators	Description	Respective Section
Level 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	1.4 Practicing Green Operations
Key Performance Indicator A1.1	Types of emissions and respective emission data	Appendix 1: ESG Performance
Key Performance Indicator A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tons) and (if applicable) density (if calculated per unit of production, per facility)	Appendix 1: ESG Performance
Key Performance Indicator A1.3	Total amount of hazardous waste generated (in tons) and (if applicable) density (if calculated per unit of production, per facility)	Appendix 1: ESG Performance
Key Performance Indicator A1.4	Total amount of non-hazardous waste generated (in tons) and (if applicable) density (if calculated per unit of production, per facility)	Appendix 1: ESG Performance
Key Performance Indicator A1.5	Description of the emissions target(s) set and the steps taken to achieve them	1.4 Practicing Green Operations
Key Performance Indicator A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	1.4 Practicing Green Operations

2. Index to the Environmental, Social and Governance Reporting Guidelines of The Stock Exchange of Hong Kong Limited

Level, General Disclosure and Key Performance Indicators	Description	Respective Section
Level A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	1.4 Practicing Green Operations
Key Performance Indicator A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (in thousands of kilowatt hours) and intensity (if calculated per unit of production, per facility)	Appendix 1: ESG Performance
Key Performance Indicator A2.2	Water consumption in total and intensity (if calculated per unit of production, per facility)	Appendix 1: ESG Performance
Key Performance Indicator A2.3	Description of the energy use efficiency target(s) set and steps taken to achieve them	1.4 Practicing Green Operations
Key Performance Indicator A2.4	Description of whether there are any matters in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	1.4 Practicing Green Operations The water consumed in the offices of the Bank is supplied by the municipal government, and there is no issue in sourcing water that is fit for purpose
Key Performance Indicator A2.5	Total packaging material used for finished products (in tons) and (if applicable) proportion of per unit produced	Not applicable, as the Bank's business does not involve packaging materials for its being a financial service enterprise
Level A3: Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	1.4 Practicing Green Operations
Key Performance Indicator A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them	1.4 Practicing Green Operations
Level A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	1.1 Tackling Climate Risks
Key Performance Indicator A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	1.1 Tackling Climate Risks

2. Index to the Environmental, Social and Governance Reporting Guidelines of The Stock Exchange of Hong Kong Limited

Level, General Disclosure and Key Performance Indicators		
Indicators	Description	Respective Section
Employment and Labor Practices		
Level 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	4.1 Protecting Employees' Rights and Interests
Key Performance Indicator B1.1	Total workforce by gender, employment type (e.g., full-time or part-time), age group and geographical region	Appendix 1: ESG Performance
Key Performance Indicator B1.2	Employee turnover rate by gender, age group and geographical region	Appendix 1: ESG Performance
Level 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	4.3.1 Creating a Healthy Workplace
Key Performance Indicator B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Appendix 1: ESG Performance
Key Performance Indicator B2.2	Lost days due to work injury	Appendix 1: ESG Performance
Key Performance Indicator B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	4.3.1 Creating a Healthy Workplace

2. Index to the Environmental, Social and Governance Reporting Guidelines of The Stock Exchange of Hong Kong Limited

Level, General Disclosure and Key Performance Indicators		
Indicators	Description	Respective Section
Level B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2 Empowering Employees to Grow
Key Performance Indicator B3.1	Percentage of employees trained by gender and employee category (e.g. Senior management, and middle management)	Appendix 1: ESG Performance
Key Performance Indicator B3.2	Average training hours completed per employee by gender and employee category	Appendix 1: ESG Performance
Level B4: Labor 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 labour	4.1 Protecting Employees' Rights and Interests
Key Performance Indicator B4.1	Description of measures to review employment practices to avoid child and forced labour	4.1 Protecting Employees' Rights and Interests Appendix 1: ESG Performance
Key Performance Indicator B4.2	Description of steps taken to eliminate such practices when discovered	4.1 Protecting Employees' Rights and Interests
Operating Practices		
Level B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	
Key Performance Indicator B5.1	Number of suppliers by geographical region	
Key Performance Indicator B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	
Key Performance Indicator B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	1.4.7 Green procurement
Key Performance Indicator B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	1.4.7 Green procurement

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Level, General Disclosure and Key Performance Indicators	Description	Respective Section
Level B6: Product Liability		
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	3.2 Adhering to Quality Service 3.3 Protecting Customers' Rights and Interests 3.4 Protecting Customer Privacy
Key Performance Indicator B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable, as the Bank's business does not involve product recall for its being a financial service enterprise
Key Performance Indicator B6.2	Number of products and service related complaints received, and how they are dealt with	3.3 Protecting Customers' Rights and Interests
Key Performance Indicator B6.3	Description of practices relating to observing and protecting intellectual property rights	6.3 Strengthening Internal Control Compliance
Key Performance Indicator B6.4	Description of quality assurance process and recall procedures	Not applicable, as the Bank is a financial service enterprise
Key Performance Indicator B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	3.4 Protecting Customer Privacy
Level 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	6.3 Strengthening Internal Control Compliance
Key Performance Indicator 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	Appendix 1: ESG Performance
Key Performance Indicator B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	6.3 Strengthening Internal Control Compliance
Key Performance Indicator B7.3	Description of anti-corruption training provided to directors and staff	Appendix 1: ESG Performance

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Level, General Disclosure and Key Performance Indicators	Description	Respective Section
Community		
Level B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates, and to ensure that its activities take into consideration the communities' interests	Chapter 5 Contributing to the Public Good for a Better Future
Key Performance Indicator B8.1	Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture and sports)	Chapter 5 Contributing to the Public Good for a Better Future
Key Performance Indicator B8.2	Resources (such as money or time) contributed to the focus areas	Chapter 5 Contributing to the Public Good for a Better Future Appendix 1: ESG Performance



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