



POSTAL SAVINGS BANK OF CHINA CO., LTD.

2018 SOCIAL RESPONSIBILITY (ESG) REPORT



2018

Social Responsibility Report

Environmental | Social | Governance

中國郵政儲蓄銀行股份有限公司

Postal Savings Bank of China Co., Ltd.

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

Stock Code: 1658

Stock Code of Preference Shares: 4612

**TOGETHER
WE MAKE IT BETTER**

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About This Report

1. Scope of the Report

Scope of this report: This report covers the Head Office of Postal Savings Bank of China Co., Ltd. and branches under its administration. "PSBC" or "the Bank" or "we" in this report refer to "Postal Savings Bank of China Co, Ltd."

Time span of this report: From January 1, 2018 to December 31, 2018. Part of the contents may exceed the above-mentioned time span.

Release cycle of this report: This is an annual report.

4. Assurance Method for the Report

To ensure truthfulness and reliability, PricewaterhouseCoopers Zhong Tian LLP is engaged to provide limited assurance services on selected key data disclosed in this report in accordance with *International Standard on Assurance Engagement - ISAE 3000: Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and issue an independent assurance report.

2. References for Preparing the Report

This report meets relevant requirements of the *Environmental, Social and Governance Reporting Guide* issued by The Stock Exchange of Hong Kong Limited, the *Opinions on Strengthening Social Responsibilities of Banking Institutions* issued by the former China Banking Regulatory Commission, and the *Corporate Social Responsibilities Guidelines for China's Banking Institutions* issued by China Banking Association, and it was prepared with reference to the *GRI-Sustainability Reporting Guidelines* issued by Global Reporting Initiative (GRI), *ISO26000:2010 - Guidance on Social Responsibility* issued by International Organization for Standardization and *GB/T36000: Guidance on Social Responsibility* issued by Standardization Administration of the PRC.

5. Publication Format of the Report

This report is published in both print and electronic formats. Printed copies are available in the General Office of the Bank for review by shareholders and other stakeholders of the Bank, and the electronic version is available on the HKEx website and the Bank's website.

3. Data Sources of the Report

Financial data in this report are all from the 2018 annual report, while other data are mainly from the year 2018, including some from previous years. Currency amounts in this report are in RMB, unless otherwise indicated.

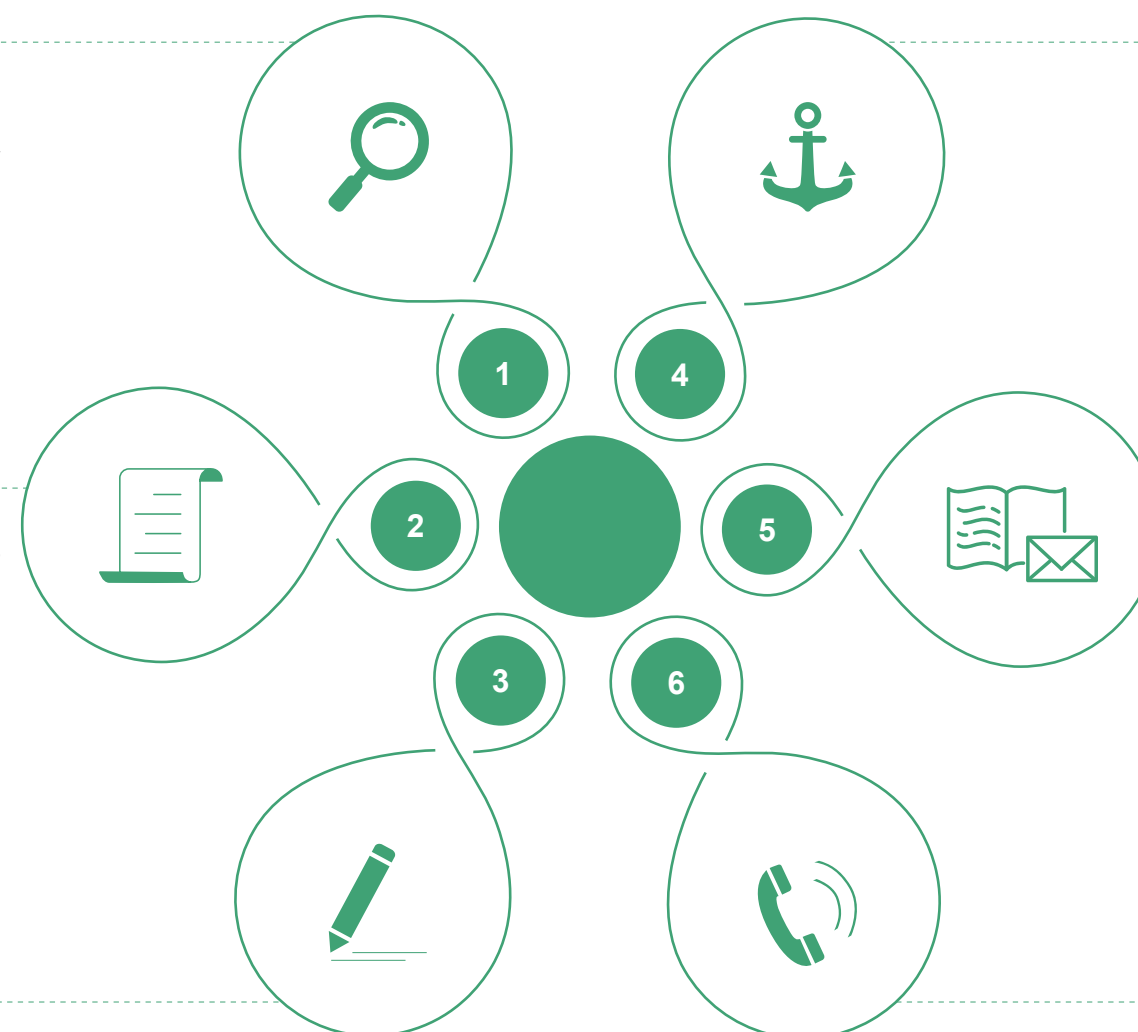
6. Contact Information

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Message from the Board of Directors and Senior Management

Time flies and another new year is arriving. The year of 2018 marks the first year for putting the guiding principles of the 19th National Congress of the Communist Party of China into effect and the 40th anniversary of reform and opening up. It is also a critical year for securing a decisive victory in building a moderately prosperous society in all respects, and for further implementation of the 13th Five-Year Plan. In the face of the complex economic situation both at home and abroad, PSBC followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and remained true to the original aspiration of serving the real economy with financial services. Keeping in mind the mission of making state-owned capital stronger, better and bigger, the Bank focused on supply-side structural reform, firmly adhered to the retail banking strategy, and forged ahead with considerable progress in pursuing high-quality development.

We have adhered to serving the real economy and continually dedicated time and efforts to inclusive finance.

The real economy serves as the foundation of finance, while finance is the lifeblood of the real economy. The Bank introduced postal remittance services in 1898, and then the postal savings business in 1919. After all these years, from the philosophy of “working on the trivial work even other despise; working towards stability rather than big profits” to “serving the real economy and improving people’s livelihood”, the genes of inclusive finance are deeply embedded in the Bank. We stay true to the original aspiration of serving the real economy and continue to serve communities, SMEs, and “Sannong” customers. Relying on approximately 40,000 outlets throughout the urban and rural areas, we provide quality financial services to more than one-third of China’s population. Besides, we have supported national strategies by leveraging our advantages in capital, and explored a distinctive path of sustainable development of inclusive finance. As at the end of 2018, the Bank had vigorously served the rural revitalization strategy, with the balance of agriculture-related loans standing at RMB1.16 trillion, representing an increase of RMB107,286 million compared with the prior year-end. We supported the coordinated development of Beijing-Tianjin-Hebei region, the Belt and Road Initiative and the development of the Yangtze Economic Belt, with loans exceeding RMB650,000 million. Moreover, we actively promoted the development of private enterprises and small and micro enterprises, and issued inclusive financial loans to 1,457,700 small and micro businesses with a balance of RMB544,992 million, ranking among the highest in the industry. We helped hardworking people realize their dream of living and working in contentment. The balance of residential mortgage loans of the Bank was RMB1.42 trillion, with the average size of newly granted loans for the year amounting to only RMB470,000, effectively serving the rigid housing demand.

We have actively explored effective ways to facilitate provision poverty alleviation. “When defining a moderately prosperous society, the key is to observe the condition of farmers.” It is a solemn commitment made by the Communist Party of China to help poor population and poverty-stricken regions achieve moderate prosperity in all respects together with other parts of the country. We have followed the “three-in-one” poverty alleviation planning, i.e. special poverty alleviation, industry-based poverty alleviation, and society-based poverty alleviation, strengthened the top design of financial precision poverty alleviation and created social synergy through the combination of advantages. We have taken into account the reality of poverty-stricken areas and thus introduced the modes of “cooperation with first secretary in the village”, “cooperation between platforms”, “distinctive industry leadership”, “talent leadership” and “creditworthy villages and towns”. We focused on poverty alleviation together with development of aspiration and intelligence, and turning targeted poverty alleviation mode from “blood transfusion” for survival to “blood making” for growth, so as to make financial precision poverty alleviation more sustainable. As of the end of 2018, the balance of the Bank’s financial precision poverty alleviation loans (including loans to those already out of poverty) was RMB93,858 million, representing an increase of RMB32,294 million or 52.46% from the end of the previous year. From 2015 to 2018, the Bank granted micro loans worth RMB167,300 million in total to 1.73 million people in 832 major national-level poverty-stricken counties.

We have vigorously developed green finance to help build a beautiful China. “Ecological advancement leads to civilization prosperity while ecological deterioration leads to civilization decline.” We have firmly established and put into action the concept of “lucid waters and lush mountains are invaluable assets”, actively supported green, low carbon and circular economy by allocating more resources to industries featuring energy conservation, emission reduction and environmental protection, providing strong financial support to the ecological conservation. We strengthened environmental and social risk management in an all-round manner, took the initiative to incorporate green development into corporate governance framework, and drew on the wisdom and experience of green finance development from other countries. Furthermore, we actively innovated products and services of green finance to support green transport projects such as railway transportation and urban rail transit projects, and developed online retail credit products, continually enhancing our ability to provide comprehensive green finance services. As of the end of 2018, the balance of the Bank’s green loans (energy saving and environment protection projects and services loans) was RMB190,405 million, representing an increase of 15.47% compared with the prior year-end. In this way, we effectively helped build a resource-saving and environment-friendly society and a beautiful China.

We have accelerated innovation in financial technology and strengthened transformation empowered by technology.

We have attached great importance to IT application, constantly explored ways of combining new technology with businesses, and strove to integrate the power of pursuing technology innovation into the “blood” of PSBC people. We have actively adapted to the new requirements of digital transformation and fully advanced the construction of 217 projects including the Top Ten Platforms and Top Five Data Marts, etc. In addition, efforts were made to make our outlets intelligent, light, multi-functional and precisely set, and to build an all-round e-banking service system and an integrated online-offline financial service ecosystem. Furthermore, we intensified the research and application of new technologies such as mobile internet, big data, cloud computing, blockchain, artificial intelligence, promoted the application of face recognition, and applied artificial intelligence in multiple scenarios such as customer service and customer transaction authorization. As at the end of 2018, the number of e-banking customers and mobile banking customers reached 277 million and 218 million respectively.

We have furthered comprehensive risk management to pursue prudent and steady development. It is a tough battle to forestall and defuse major risks when it comes to building a moderately prosperous society in all respects. Excellent asset quality is the core strength and foundation of PSBC. We have earnestly implemented the deployments of CPC Central Committee for winning the battle of forestalling and defusing major risks, and adhered to prudent and sound risk policies to guard the “lifeline” for healthy development. We formulated and implemented the three-year plan to forestall and defuse major risks, and continued to improve the comprehensive risk management system and the long-term mechanism for risk management and control. We intensified rectification of market chaos of the banking industry, tightened our grip on asset quality, and thoroughly examined the underlying risks in an all-round way, so as to handle and defuse risks in time. We continued to improve the internal control system and built a stronger foundation for compliance management. As at the end of 2018, the Bank led the industry in asset quality with non-performing loan ratio of 0.86% and allowance coverage ratio of 346.80%.

New era endows new mission and new journey calls for new actions. The year 2019 marks the 70th anniversary of the founding of the People’s Republic of China. It is the crucial year for building a moderately prosperous society in all aspects. It is also the key year for PSBC to deepen reform and transformation, and establish itself as an excellent large state-owned bank. We will adhere to the new development philosophy, unswervingly serve the real economy, strictly control financial risks, and advance transformation and upgrading so as to continue to deepen our reform. We will develop new strengths for growth, work hard to make new advances for quality development, generate more value for investors, customers, employees and the society, and contribute to the advancement of the social-economic development as well as satisfying people’s needs for a better life. In this way, we shall present our outstanding achievements as a gift for the 70th anniversary of the founding of the People’s Republic of China!

About Us

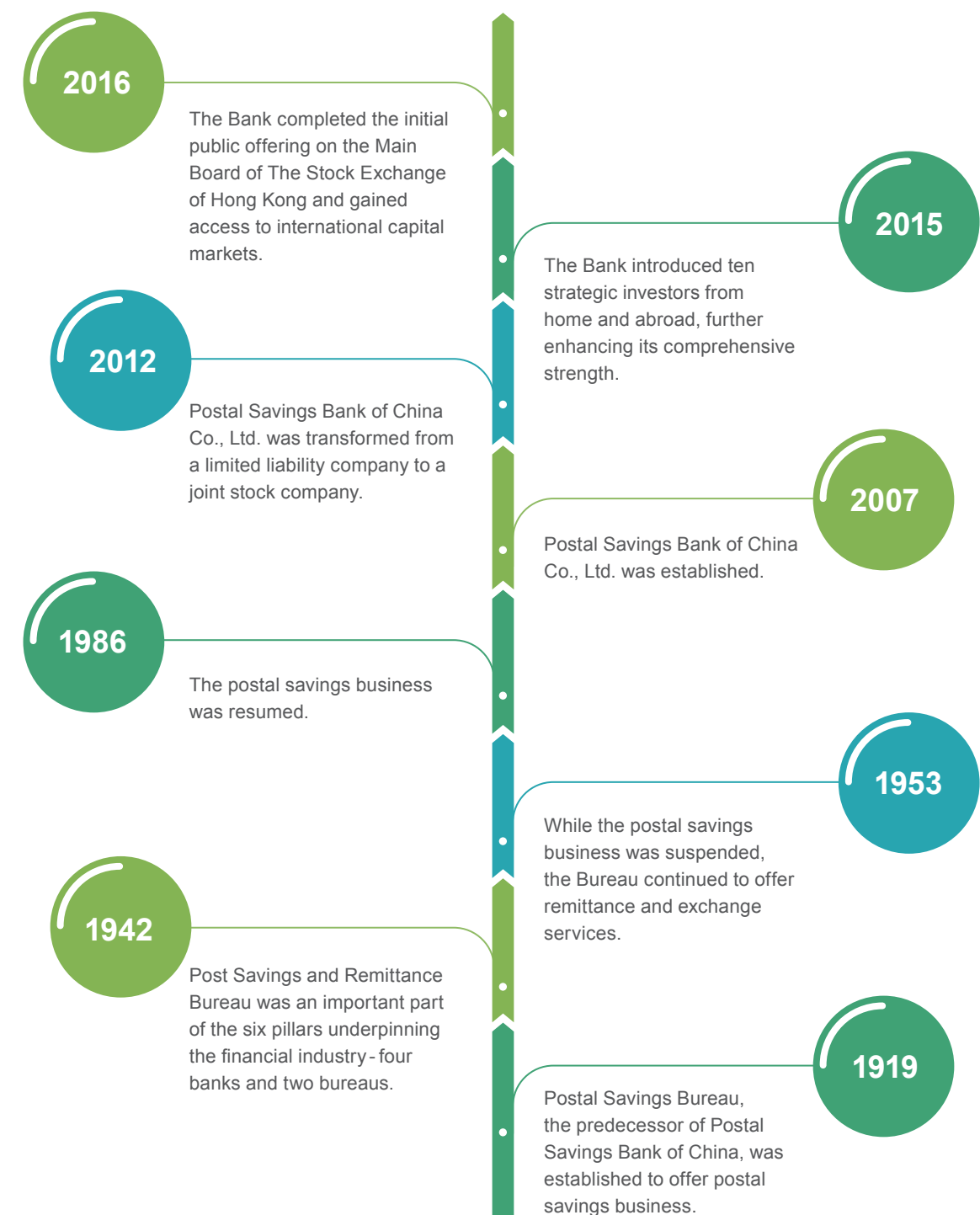
Postal Savings Bank of China is a leading large-scale retail commercial bank in China, strategically focuses on providing financial services to communities, SMEs and “Sannong” customers and is committed to meeting the financial needs of the most promising customers during China’s economic transformation. Meanwhile, the Bank actively serves large corporate customers and participates in the construction of major projects, making important contributions to China’s economic development.

With approximately 40,000 outlets and services covering 578 million individual customers, PSBC has shown its superior asset quality and significant development potential. At present, we have established an all-around e-banking system consisting of online banking, mobile banking, self-service banking, telephone banking, and WeChat banking etc., forming a financial service landscape in which electronic banking connects with physical network and offline physical banking keeps pace with online virtual banking. In 2015, we introduced ten domestic and foreign strategic investors, which further improved our comprehensive strength. In 2016, we completed the initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited and gained access to international capital markets, representing a successful implementation of the three-step reform, namely “joint stock reform, introduction of strategic investors and initial public offering”. In 2017, we issued offshore preference shares, further optimizing our capital structure and expanding our capital replenishment channels.

Against the background of transformation and upgrade of China’s economy, deepening advancement of financial reform and thriving development of information technology, PSBC will seize new strategic opportunities, give full play to its advantages, keep enriching business varieties, expand service channels and improve service capabilities so as to provide more comprehensive and convenient financial services to customers and become the most trusted and valuable first-tier large retail commercial bank.



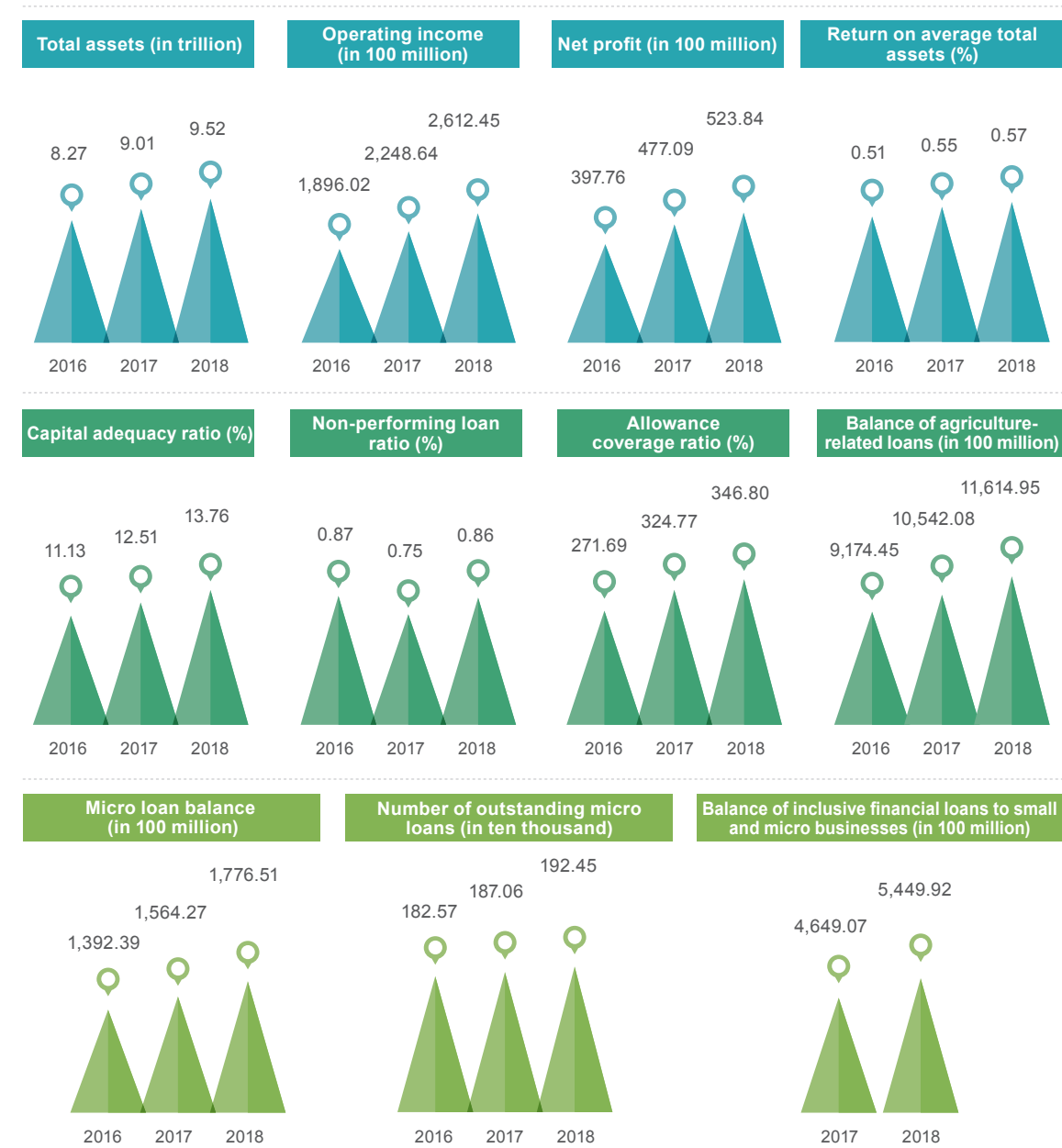
History







Highlights in 2018

Key Performance Indicators

Business Performance



Environmental Performance

	2016	2017	2018
 Balance of green loans (energy saving and environmental protection projects and services loans) (in 100 million)	752.31	1,648.98	1,904.05
 E-channel transaction ratio (%)	81.78	86.97	90.44
 Number of e-banking customers (in 100 million)	1.85	2.34	2.77
 Total water consumption in the Head Office (tonne)	36,895.04	41,189.44	34,895.87

Social Performance

Total number of employees	Proportion of ethnic minority employees(%)	Proportion of female employees (%)
2016 187,067	2016 5.74	2016 61.64
2017 186,570	2017 5.88	2017 61.53
2018 184,900	2018 6.06	2018 61.29

Number of outlets	Number of outlets with wheelchair access	Public welfare donations (in ten thousand)
2016 39,927	2016 5,936	2016 630.40
2017 39,798	2017 6,732	2017 1,244.52
2018 39,719	2018 8,440	2018 2,076.46

Key Events in 2018

1 Supporting the three critical battles

We released a three-year plan for forestalling and defusing major risks, the guidance on winning the three-year campaign against poverty, the guidance on pollution prevention and control and green finance, and a three-year plan for strengthening the building of a green bank. A series of measures have been launched to forestall and defuse major risks, carry out targeted poverty alleviation, and prevent and control pollution.

2 Supporting the private sector development

We issued our guidance for supporting the development of private enterprises and improved the long-term mechanism bolstering their growth. We signed the first agreement on bond financing supporting instrument for private enterprises in Western China, upgraded and launched the online, big data-based credit product "Small and Easy Loan". We worked together with CCTV Financial Channel's program *Start-up Heroes* to provide a platform integrating brand showcasing, guidance on entrepreneurship and financing support for entrepreneurs and small and micro enterprises.



Credit managers visited a corporate client to gain a deeper understanding of their demand

3 Pushing forward rural revitalization



Jointly building a better countryside

The Bank issued the *Implementation Opinion of Postal Savings Bank of China on Comprehensive Support for Rural Revitalization Strategy* and the *Guiding Opinions of Postal Savings Bank of China on Credit Policies for Rural Revitalization (Sannong Finance)* to promote 10 financial support modes in support of rural revitalization. We issued jointly with the Ministry of Agriculture and Rural Affairs the *Opinions of the Ministry of Agriculture and Rural Affairs and Postal Savings Bank of China on Strengthening Financial Cooperation in the Field of Agricultural Industrialization to Promote the Implementation of Rural Revitalization Strategy* to promote the development of high-quality agricultural industrialization, promote structural reforms on the supply side of agriculture, and fully serve the rural revitalization strategy.

4 Serving the construction of Xiongan New Area

We signed a strategic cooperation agreement with the Management Committee of Xiongan New Area. Based on the planning and construction needs of Xiongan New Area, we will try to pioneer in resource allocation, integrated services and financial innovation, and deliver innovative financial services and high-quality inclusive financial services in the fields of ecological environment and smart green city, etc.

5 Deepening consumer rights protection

We further incorporated the concept of financial consumer rights protection into corporate governance, corporate culture building as well as business development strategy. The Social Responsibility Committee of the Board of Directors was renamed as the Social Responsibility and Consumer Rights Protection Committee with expanded functions for consumer rights protection.



Spreading financial knowledge among farmers

6 Driving financial innovation with technology

Through efforts in promoting the development of financial technology and internet finance, both the number of mobile banking customers and personal online banking customers exceeded 200 million. Intelligent Customer Service 2.0 based on a deep learning model and Mobile Banking 4.0 were officially launched to provide customers with smarter and more convenient mobile financial services.

7 Continuously pushing forward the systematic transformation of outlets



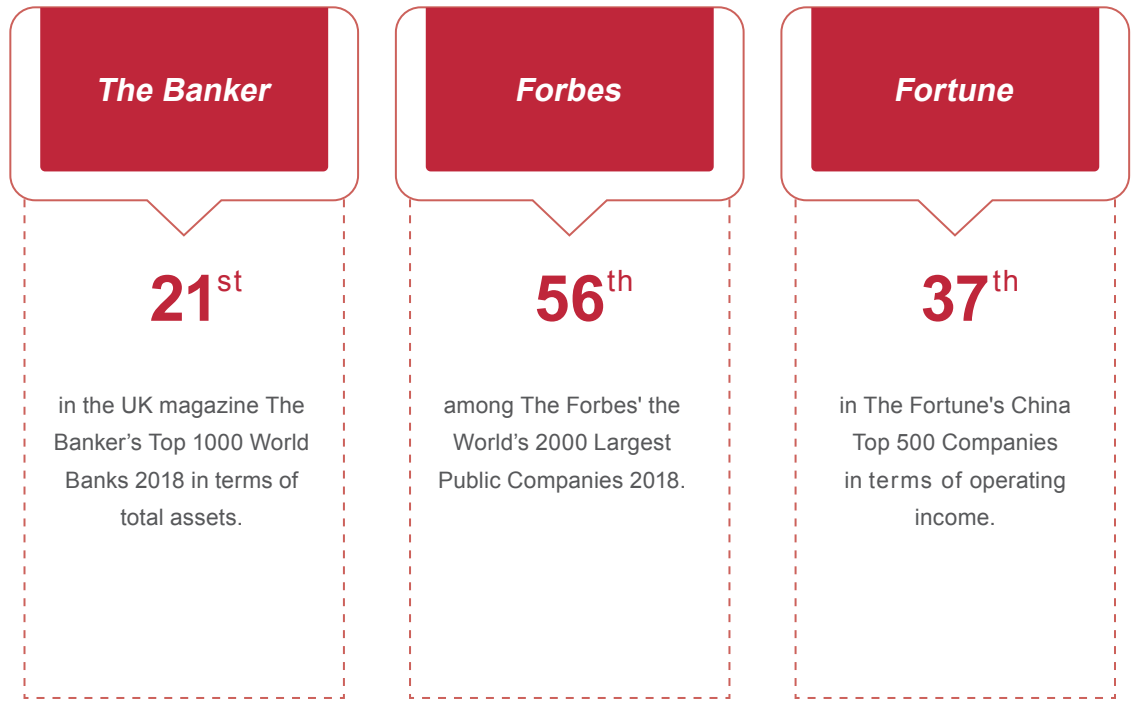
Providing quality and convenient financial services to customers

In accordance with the goal of transforming outlets to be lighter and smarter with integrated functions and precise setting, we started the pilot program of outlet transformation to promote the integrated development of services in outlets and improve refined management of outlets.

8 Propelling the construction of the PSBC Love Charity Platform

We gave full play to the role of the PSBC Love Charity Platform, and launched PSBC Charity Day activities to promote the PSBC Love Charity program to the community. We organized volunteers from the Bank to participate in the charity activities of the PSBC Love Growth Plan to visit students and families in poor areas. Through fund-raising via the Tencent Public Service Platform, the Bank's mobile banking, personal online banking, ATMs and other channels and donations from the Bank, we raised more than RMB9 million for the PSBC Love Charity Foundation in 2018.

Rankings and Awards



Awards	Issued by
Compliance Management System was awarded second prize of 2017 Bank Technology Development Award	People's Bank of China
The Research on the applied studies on the application of Autonomous and Controllable Open Source PostgreSQL Distributed Database in financial industry was awarded A Class Achievement of 2018 Banking Information and Technology Risk Management Research Project.	China Banking and Insurance Regulatory Commission
25 Years of Informatization Development Award of State Golden Card Project	State Golden Card Project Coordination Leading Group Office
Best Livelihood Finance Award of 2017	China Banking Association
Postal Savings Bank of China Mobile Banking 4.0 was awarded the Annual Excellent Financial Product Award	China International Exhibition on Financial Banking Technology & Equipment Organizing Committee of China International Financial Service Exhibition

Awards	Issued by
Best Listed Company Award	China Financial Market magazine
Best Retail Bank	International Finance magazine
Best Retail Bank for Inclusive Finance	Asiamoney
Best Transaction Bank for Electronic Banking Services	Asiamoney
Listed Company with the Best Brand Value	China Securities Golden Bauhinia Awards Committee
Professional Retail Banking Service Award	Hong Kong Commercial Daily
Best Risk Management Bank of the Year	Financial Times
Best Green Financial Service Bank of the Year	Financial Times
Best Community Service Bank of Year 2017	The Chinese Banker
Consumer Finance Banking Award of the Year 2018	21st Century Media
Best Enterprise of Sustainable Development of the Year 2018	Southern Weekly
Outstanding State-owned Commercial Bank with Competitiveness	China Business Journal
Best Contribution Award for Financial Poverty Alleviation	Sina.Finance
2017 Most Influential Commercial Bank	Ifeng.com
Best Bank in Social Responsibility Performance	Eastmoney.com
Outstanding Mobile Bank Award	JRJ.com
Outstanding Award for Financial Service to Small and Micro Scale Enterprises	JRJ.com
CDP 2018 Emerging Corporate Award for Climate Change	CDP



**PRACTITIONER OF
SECURING A STRONG
FOUNDATION AND
PURSUING STEADY
DEVELOPMENT**

- **STRENGTHENING PARTY BUILDING**
- **CORPORATE GOVERNANCE**
- **RESPONSIBLE MANAGEMENT**
- **RISK MANAGEMENT**

Strengthening Party Building

In 2018, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we steadily pressed ahead with the Party building of PSBC on all fronts and promoted the enforcement of full and strict discipline over the Party, providing strong motivation and solid guarantee for the sustainable and healthy development of the Bank.

We adhered to and strengthened Party leadership in all of our work, included “the Party committee shall play a leading role in state-owned enterprises” into the Articles of Association, refined the work requirements of putting the Party committee’s decision first when dealing with major issues, improved the decision-making procedure after group discussion for decisions on major issues, appointment or dismissal of critical officials, arrangement of major projects and use of funds in large sum, strictly implemented the democratic centralism and effectively put into play the leading role of the Party committee in “charting our course, crafting overall plans and ensuring implementation”.

We firmly carried out the decisions and plans of the CPC Central Committee on serving the real economy with full efforts and helping win the three critical battles. We worked out and implemented a three-year plan for forestalling and defusing major risks, the guidance on winning the three-year campaign against poverty, the guidance on pollution prevention and control and green finance, a three-year plan for strengthening the building of a green bank and 20 measures for supporting private enterprises. We also resolutely responded to the rural revitalization strategy and actively participated in the Belt and Road Initiative and the Xiongan New Area development, reflecting the achievements in the Party’s political building in specific actions of fulfilling the economic, political and social responsibilities.

Enhancing the Party’s political building as the overarching principle

We earnestly implemented the Several Provisions on Strengthening and Maintenance of the Centralized and Unified Leadership of the Party Central Committee, the Several Norms On The Intraparty Political Life for the New Era and the requirements for the inspection and rectification. Party organization at all levels and every Party official kept firmly in mind the need to maintain political integrity, think in big-picture terms, follow the leadership core and keep in alignment with the central Party leadership, strengthened our confidence in the path, theory, system and culture of socialism with Chinese characteristics, and resolutely upheld General Secretary Xi Jinping’s core position on the Party Central Committee and in the Party as a whole and resolutely upheld the Party Central Committee’s authority and its centralized, unified leadership.

We carried out intra-party political activities earnestly, held the annual democratic meeting of leadership and the democratic meeting on inspection and rectification, carried out criticism and self-criticism and steadily pushed forward the rectification work.

We continued to improve the organizational capability of primary-level Party organizations. We earnestly carried out the target-hitting campaign for primary-level Party organization building and the activities of creating excellent primary-level Party organizations and cultivating excellent Party members, made it a regular practice and an institutionalized requirement to secure a strong foundation, further promoted the development of demonstration zones and the standard operation of primary-level Party organizations. We launched a targeted inspection over primary-level Party organization building across the Bank for 2018 to promote improvement in their quality and performance. We continued to intensify the coordination between the Head Office and the branches in Party building and conducted survey workshops, exchange activities with guidance given and supervisory inspections over tier-one branches to improve their capability in Party building. Organizational structure in Party building was refined and staffing for Party building and supervision in branches and sub-branches was standardized. Party organization secretaries and full-time Party affair officials at different levels received training in batches.

We continued to strengthen the building of leadership teams and Party officials teams. We implemented the Party’s organizational lines for the new era and selected, appointed and managed Party officials according to the “good officials” criteria and the requirements of “be loyal to the Party, have the courage to innovate, skillful in governing enterprises, achieve effects in prospering enterprises and be honest and upright” for leadership of state-owned enterprises. Surveys over young managers in branches were carried out to provide organizational guarantee for supplementation of leadership teams in the short term and long-term cultivation. We launched exchanges and promotion of managers across provinces for the first time, encouraged eastern developed provinces to transfer capable managers to the west and promoted to refine the personnel exchange mechanism among tier-one branches. Training on leadership, business management, transformation and development were offered by category to officials at different levels to continuously develop a team of high-quality professional managers.

We stepped up efforts to improve Party conduct, ensure clean government and combat corruption. We continued to supervise performance of the responsibility in enforcing full and strict discipline over the Party and made specific personnel accountable for political responsibilities. We made full use of the “first form” of oversight and discipline enforcement, ensuring that those who have committed minor misconduct are made to “redde and sweat”. As we further enhanced the accountability for overseeing discipline enforcement, the deterrence effect of not daring to commit corruption increasingly revealed and the awareness of Party officials for discipline compliance was strengthened. Supervision and inspections over the rectification progress after central inspections were strengthened and site supervisory inspections were conducted for some branches. We facilitated coordination in disciplinary inspections and supervisions at different levels and worked out the implementation opinions on the inspection for tier-one branches, which were conducted in a total of 34 tier-one branches. Problems were circulated to educate the entire Bank to draw lessons.



Receiving patriotic education

Corporate Governance

The Bank considers good corporate governance as the key to the sound operation and sustainable development of commercial banks. Adhering to the governance principles of a modern commercial bank, the Bank works continuously to optimize the governance structure and improve the mechanism of corporate governance. We included contents related to equity management and review procedures for supervisors' remuneration in the Articles of Association, and continued to make it more standardized and effective, hence further refining our corporate governance.

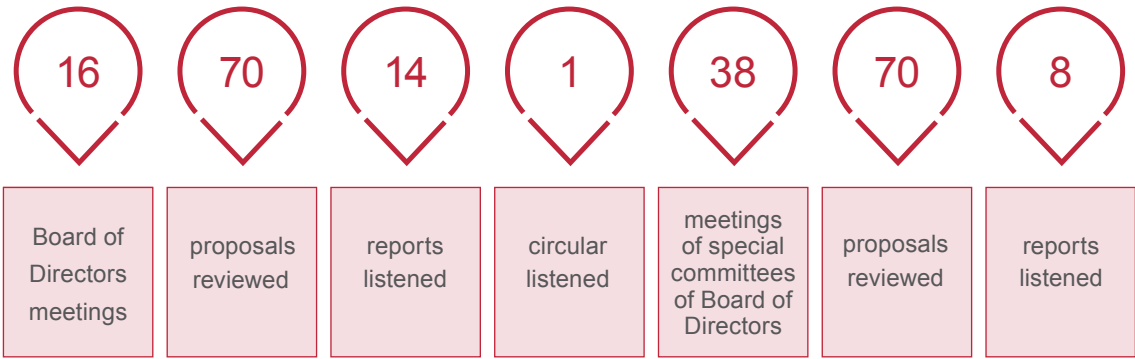
Shareholders' General Meeting

In 2018, the Bank held **one** annual general meeting, **one** domestic shareholders' class meeting and **one** H shareholders' class meeting. A total of **15** issues were considered and **two** reports were heard.

Board of Directors

As at the disclosure date of the report, the Board of Directors consisted of 13 directors, and had six special committees, namely, the Strategic Planning Committee, Related Party Transactions Control Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee and Social Responsibility and Consumer Rights Protection Committee.

In 2018, the Bank held a total of 16 board meetings, reviewed 70 proposals and listened to 14 reports and one circular. 38 meetings of special committees were held, reviewed 70 proposals and listened to eight reports. Specifically, the Board of Directors deliberated and approved the *Proposal on Change of Name of the Social Responsibility Committee of the Board of Directors of Postal Savings Bank of China Co., Ltd. as the Social Responsibility and Consumer Rights Protection Committee and Adjustment of Relevant Responsibilities*, renaming the Social Responsibility Committee of the Board of Directors as the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors with greater responsibilities for consumer rights protection.

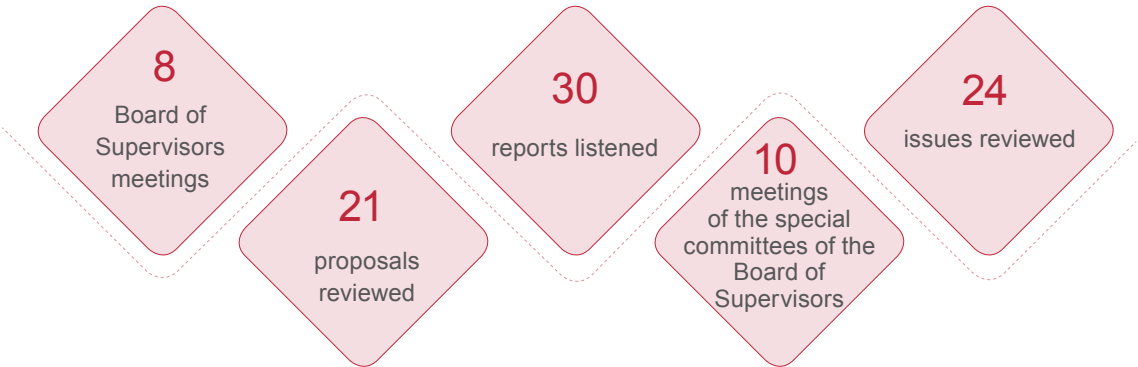


The Social Responsibility and Consumer Rights Protection Committee primarily performs such duties as developing strategies, policies and goals of social responsibility and consumer rights protection that are consistent with the Bank's development strategies and actual situation, developing its basic management system for social responsibility and consumer rights protection, and submitting them to the Board of Directors for approval before implementation; listening to reports regularly on the progress of consumer rights protection, supervising and evaluating the comprehensiveness, promptness and effectiveness of the Bank's consumer rights protection work as well as the duty performance of the senior management, and disclosing information on consumer rights protection pursuant to regulatory requirements, as authorized by the Board.

In 2018, the Social Responsibility and Consumer Rights Protection Committee held four meetings to consider six proposals including the 2017 Social Responsibility (Environmental, Social, Governance) Report, the Work Summary for 2017 and Work Planning for 2018 of Consumer Rights Protection, the Work Planning for 2018 of Consumer Rights Protection, the Work Report for Green Bank Construction, and the Change in Name of the Social Responsibility Committee of the Board of Directors into the Social Responsibility and Consumer Rights Protection Committee. The Social Responsibility and Consumer Rights Protection Committee made important guidance for the Bank's performance of social responsibilities, building a green bank and the implementation of consumer rights protection.

Board of Supervisors

As at the disclosure date of the report, the Board of Supervisors of the Bank had nine Supervisors and three special committees, namely, the Nomination Committee, Duty Performance Supervision Committee and Finance and Internal Control Risk Supervision Committee. In 2018, eight Board of Supervisors meetings were held with 21 proposals reviewed and 30 reports heard. Meanwhile, the Bank held 10 meetings of the special committees of the Board of Supervisors and reviewed 24 issues.

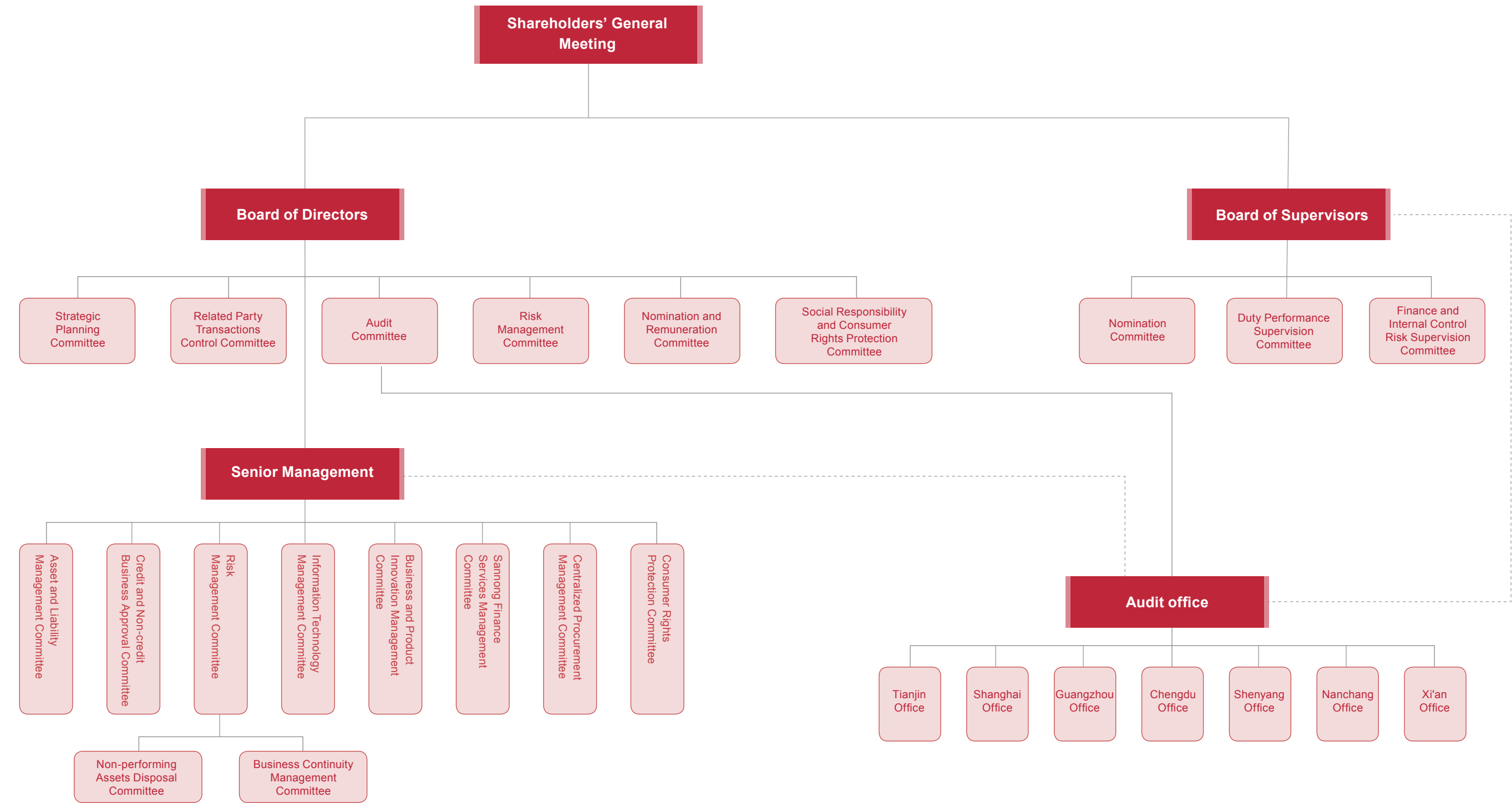


Senior Management

The Senior Management is the executive body of the Bank, and shall be accountable to the Board of Directors and is supervised by the Board of Supervisors. The division of powers between the senior management and the Board of Directors is in strict compliance with the Articles of Association and other corporate governance documents of the Bank. As at the disclosure date of the report, the Senior Management had seven members.

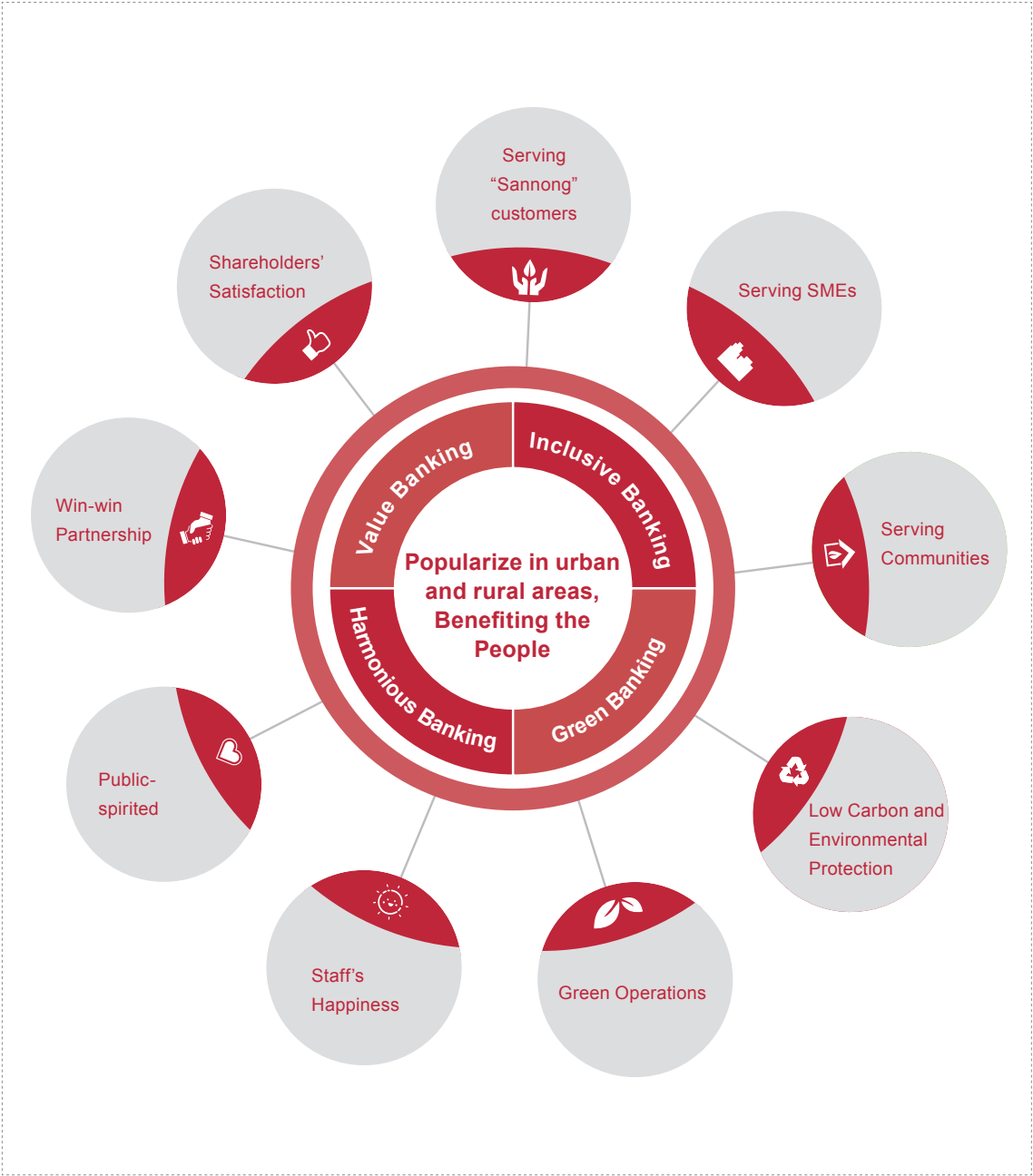
Note: for more information on corporate governance, please refer to the 2018 Annual Report of Postal Savings Bank of China Co., Ltd. published on the HKEx website and the official website of PSBC.

Corporate Governance Structure







Responsible Management

Concept of Social Responsibility



List of stakeholders

Stakeholders	Communication mechanisms	Response measures
 Government	Policy guidelines Reports on special topics Routine communication	Implementing national policies and guidelines Fully serving the three critical battles Serving supply side structural reform Promoting opening-up and development Continuously boosting reform and transformation
 Regulatory authorities	Work reports On-site inspections Off-site supervision Conferences and seminars	Conducting business with integrity and in accordance with laws and regulations, improving corporate governance Improving comprehensive risk management capability and internal control system Intensifying anti-money laundering efforts
 Shareholders	Shareholders' General Meetings Notices from the Board of Directors Periodic reports Daily communication	Promoting business development and increasing profitability Strictly controlling risks to boost sound management Disclosing information timely, accurately and comprehensively
 Customers	Satisfaction surveys Training and promotion conferences Product introductions 95580 Call Center Official website WeChat platform	Strengthening consumer rights protection Broadening customer service channels Accelerating innovations in financial products and services Continuously improving business processes

Stakeholders	Communication mechanisms	Response measures
 Partners	Bidding and procurement Supply and demand discussions Seminars Business exchanges	Upholding the principle of fair cooperation Increasing transparency in cooperation Achieving mutual benefit and win-win
 Staff	Staff Survey Opinion solicitation and feedback mechanism Visits by the management	Diligently safeguarding the legitimate rights and interests of staff Strengthening training for the position and vocational skill training Promoting fair and transparent personnel selection mechanism Improving remuneration incentive and benefit system Enriching staff activities in their spare time
 Public and media	Websites Weibo, WeChat and other platforms Charity activities Dissemination of financial knowledge Media interviews	Disclosing information timely and objectively Ensuring smooth communication and response Building harmonious communities
 Environment	Green bank building Environmental and social risk management Green operations	Improving the green finance system Supporting the development of green and low carbon economy Improving environmental and social risk management Implementing green operations

Analysis of important issues

The Bank studied international and domestic economic, environmental and social policies and initiatives, reviewed requirements and regulations of the government and regulators, followed up on inquiries and concerns of investors and rating agencies in a timely manner. After collecting and collating feedbacks and suggestions from stakeholders like customers, shareholders, employees and media, we identified the following important issues by considering the Bank’s development strategy.



Risk Management

Following the central government's arrangements and requirements for forestalling and defusing major risks, the Bank continuously improved its comprehensive risk management system, formulated its three-year plan for forestalling and defusing major risks, and focused on building a long-term risk control mechanism and improving the internal control system building, thereby consolidating the basis of compliance management. At the end of 2018, its non-performing loan ratio and allowance coverage ratio were **0.86%** and **346.80%** respectively.



Risk appetite

In accordance with our overall risk appetite, we further strengthened the guiding role of industry policy orientation and limit management, continued to increase the supply of green financial services, and set limits for risk-sensitive industries such as industries with high pollution, high energy consumption and overcapacity. We improved risk monitoring and early warning mechanism, implemented regulatory rectification requirements for special matters under concern, consolidated asset quality, effectively controlled environmental and social risks, and prevented regional and systematic risks.



Ensuring the continuity of system operation

Under the Bank's risk management framework, we carried out information system security management, covering operational risks in management, control and maintenance and organizing emergency drills, etc. In 2018, the Bank conducted **120** drills of information systems, networks and infrastructure. No major systematic failures or information security breaches occurred, and the service availability of important information systems was over **99.99%**.



Improving the internal control system

We carried out internal control improvement activities to foster a good compliance culture. We issued an internal control management manual covering the main businesses and management activities of the Bank, established a dynamic management mechanism to ensure the effectiveness of compliance risk identification. We performed major project compliance reviews to effectively support business development. Besides, we organized internal control compliance management trainings with a focus on the integration of internal control and compliance management and business operation, and raised staff awareness of internal control and compliance.



Anti-money laundering (AML) management

The Bank strictly abided by laws and regulations such as the *Anti-Money Laundering Law of the People's Republic of China* and established an AML organizational framework under the leadership of the Board of Directors, which is organized by senior management and implemented by institutions at all levels. In 2018, we improved the AML internal control policy system, issued the *Management Measures for Money Laundering Risk Assessment of Postal Savings Bank of China (2018 Version)*, the *Management Measures for Anti-Money Laundering Reporting of Postal Savings Bank of China (2018 Version)* and the *Management Measures for the Centralized Processing of Anti-Money Laundering of Postal Savings Bank of China (2018 Version)*, covering AML organizational structure, Know-Your-Customer, large-sum transactions and suspicious transaction reporting, money-laundering risk assessment, AML reporting and AML audits. Relying on more advanced information technology, we established a standardized and unified money laundering risk management system process. We also adopted enhanced due diligence measures for high-risk customers. We further increased employees' AML awareness and capabilities through training, with a total of **23,754 person-times** trained in **577** AML-focused training sessions. We continued to carry out AML advocacy campaigns with one month designated to communicate the theme "Strengthening management on AML, anti-terrorist financing and anti-tax evasion as well as calling for public participation". In 2018, there were no serious AML violations. The Bank successfully discouraged or intercepted **440 cases** of money laundering related risks such as fraud, fake account opening. A total of **80,794,100** large-sum transaction reports and **62,235** suspicious transaction reports were filed with the People's Bank of China (PBOC).



Further combating corruption and promoting clean conduct

The Bank strictly abided by laws and regulations such as the *Criminal Law of the People's Republic of China*, the *Law of the People's Republic of China against Unfair Competition* and the *Interim Provisions on Banning Commercial Bribery* as well as the Party's rules and regulations such as the *Disciplinary Punishment Ordinance of the Communist Party of China* and the *Accountability Ordinance of the Communist Party of China*, and specified different ways of accountability under various circumstances. In 2018, the Bank further improved institutional documents on clean conduct and continued to push forward the improvement of the internal control system. We intensified supervisory inspections to prevent corruption, and seriously penalized people in violation of laws and regulations. Warning and education conferences were held and themed speech contests were organized to actively create a culture of integrity.



Intellectual property management

In 2018, the Bank strictly abided by the *Intellectual Property Law of the People's Republic of China* and other laws and regulations, actively cultivated the corporate culture of intellectual property innovation and placed greater focus on translating the technological achievements arising in financial product research and development and information system building into proprietary rights such as trademark rights and patent rights in time. We applied for **73** registered trademarks and patents and acquired **48** trademark rights in 2018. Besides, we continued to intensify intellectual property management, steadily promoted identification of legal risks prior to and during operation and management activities such as product research and development, marketing and promotion and system building, and actively performed the responsibility of preventing and controlling the intellectual property infringement risk.

Note: For more information on risk compliance, please refer to the *2018 Annual Report of Postal Savings Bank of China Co., Ltd.* published on the HKEx website and the official website of PSBC .



**FACILITATOR FOR
INCLUSIVE FINANCE AND
ECONOMIC
DEVELOPMENT**

- VIGOROUSLY SUPPORTING NATIONAL STRATEGIES
- PROPELLING PRIVATE SECTOR DEVELOPMENT
- BOOSTING RURAL REVITALIZATION
- PROVIDING TARGETED SERVICES TO POVERTY ALLEVIATION
- DRIVING COMMUNITY DEVELOPMENT WITH INNOVATION

Vigorously Supporting National Strategies

The Bank worked with dedication to implement national strategies and was fully committed to providing financial support to major national strategies and key projects such as the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Xiongan New Area, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and the development of the Yangtze Economic Belt, facilitating the country's strategic layout and economic structural transformation and upgrading. We put into action the concept of inclusive finance by supporting the construction of major infrastructure projects such as transportation, water conservancy, and urban underground pipeline networks. In addition, we actively delivered the vision of green development, continuously improved the financial services for strategic emerging industries, and focused on supporting industries such as new energy and high-end equipment manufacturing. As at the end of 2018, the balance of the Bank's corporate loans reached **RMB1,552,402 million**, representing an increase of **RMB160,501 million** or **11.53%** compared with the prior year-end, contributing to the implementation of national strategies and the development of the real economy.

Meanwhile, the Bank actively supported all-round opening up, the "going global" of enterprises and the Belt and Road Initiative. The Bank actively engaged with financial institutions in countries and regions along the route, and worked to expand the network of correspondent banks. As at the end of 2018, we established **930** correspondent banks, covering **40** countries and regions along the Belt and Road route, which supported the "bringing in" and "going global" with diversified cross-border financing.

Distribution of Corporate Loans by Industry

Industry	Amount (in millions of RMB)	Percentage(%)
Transportation, storage and postal services	418,878	26.99
Manufacturing	240,122	15.47
Financial services	192,527	12.40
Production and supply of electricity, heating, gas and water	191,948	12.36
Wholesale and retail	88,551	5.70
Leasing and commercial services	86,909	5.60
Construction	82,399	5.31
Water conservancy, environmental and public facilities management	76,810	4.95
Real estate	56,345	3.63
Mining	56,100	3.61
Other industries	61,813	3.98
Total	1,552,402	100

Note: Other industries consist of agriculture, fishery, computer services and software industries.

Case Study

Financial assistance for major initiatives and key projects

The Bank formulated the *Guiding Opinions of Postal Savings Bank of China on Implementing the Support for Hebei Xiongan New Area for Comprehensively Deepening the Reform and Opening up to the Outside World*, and proposed 20 opinions on serving the Xiongan New Area from four aspects of key entities, key sectors, key products and key services.

We signed the strategic cooperation agreement with the Administration Committee of the Xiongan New Area and would launch pilot programs in resource allocation, integrated services and financial innovation based on the need of the planning and construction of the Area. We would provide innovative financial service and high-quality inclusive financial service in order to improve the ecological environment and develop a green and smart city.

We cooperated with China Xiongan Group in host-to-host business and corporation account overdraft. We ensured coordination for serving the construction of the Beijing-Xiongan New Area Railway and put into full play our capital advantage to support the development of the Xiongan New Area.



Xiamen Branch provides funds for Xiamen's Rail Transit Line 1

The Bank actively echoed the national strategy and assisted the Guangdong-Hong Kong-Macao Greater Bay Area to ascend to a world-class bay area. As a symbolic project for infrastructure interconnectivity in the Area, the Hong Kong-Zhuhai-Macao Bridge is a major initiative of the central government for supporting further development of Hong Kong, Macao and the Pearl River Delta region and is significant for promoting interconnectivity of the Guangdong-Hong Kong-Macao Greater Bay Area. Since 2011, the Bank has started to cooperate with the Hong Kong-Zhuhai-Macao Bridge Authority and provide funds for construction of the Bridge. As at the end of 2018, the Hong Kong-Zhuhai-Macao Authority's stock business with the Bank totaled RMB3,200 million.



Hong Kong-Zhuhai-Macao Bridge is a sea-crossing bridge with the world's longest overall span, the longest steel structure bridge body and the longest submarine immersed tunnel

The Bank issued letters of guarantee to provide financing services for the Beijing-Tianjin-Hebei Regional Emission Reduction and Pollution Prevention Project, which helped the Beijing-Tianjin-Hebei Region to attain international standards and use advanced green technologies to reduce pollution emissions and improve regional air quality, making positive explorations for a long-term mechanism of air pollution prevention and control in China.

Jianrong Expressway is an important part of the "second vertical line", i.e., Yanhe County to Rongjiang Expressway, in the "678" highway network of Guizhou Province. The expressway starts from Shanghai-Kunming Expressway and ends at Xiamen-Chengdu Expressway, with a total length of 116.715 km and a total investment of more than RMB17,800 million. In 2018, PSBC granted RMB1,000 million funds to support the construction of the Jianrong Expressway. Upon completion, the expressway will be of great significance in improving the transportation conditions of local people, promoting the resource development, investment attraction and regional cooperation of areas along the line, and advancing the economic and social development and poverty alleviation of the contiguous poverty-stricken areas of rock desertification areas in Yunnan Province, Guizhou Province and Guangxi Province.



Jianrong Expressway

Propelling Private Sector Development

The Bank actively built a multi-party cooperation platform among banks, governments, associations and enterprises, increased policy support and resource input to better align with the financial needs of private enterprises and small and micro enterprises. It promoted the model of "financing + intelligence", gave full play to its technology advantages, continued to reduce fees and share benefits, and pooled multiple resources to create synergy to support the development of private enterprises and small and micro enterprises. All the efforts further mitigated difficulties faced by private enterprises and small and micro enterprises in accessing affordable financing, and facilitated their sustainable healthy development.

As at the end of 2018, the Bank fulfilled the "Two Increases and Two Controls" objectives for loans to small and micro enterprises set by the China Banking and Insurance Regulatory Commission, and maintained sound asset quality. The balance of inclusive financial loans to small and micro businesses reached **RMB544,992 million**. Total loans granted in the whole year accumulated to **RMB477,445 million**, a net increase of **RMB80,084 million**, benefiting **1,457,700** small and micro enterprises, up by **23,100** over the end of the previous year.

Platform building and intellectual support

The Bank signed strategic cooperation agreements with the Ministry of Science and Technology, the National Financing Guarantee Fund Co., Ltd. and the State Administration for Market Regulation, vigorously promoted various cooperation projects with them, and gave full play to the information sharing, risk sharing, complementary advantages and win-win cooperation of these platforms. It put a lot of efforts in improving the financing environment of private enterprises and small and micro enterprises.

Since 2010, the Bank has held a series of wealth creation contests for nine consecutive years. Since August 2017, the Bank has collaborated with CCTV Financial Channel in the program *Start-up Heroes*, in which the Bank acted as a presenter, guide and supporter. The program provided a showcasing stage, professional entrepreneurship counselling, a broad financing platform and comprehensive financial services to outstanding entrepreneurs and small and micro enterprises in China. We attracted resources from the society in supporting mass innovation and entrepreneurship.

Policy support and prioritized resource allocation

In 2018, the Bank issued the *Guiding Opinions of the Postal Savings Bank of China on Supporting the Development of Private Enterprises* and formulated 20 measures in five categories to support private enterprises, bolstering the development of private enterprises with human resources, financial resources and credit size and generating the intrinsic motivation to serve private enterprises.

Product innovation and service improvement

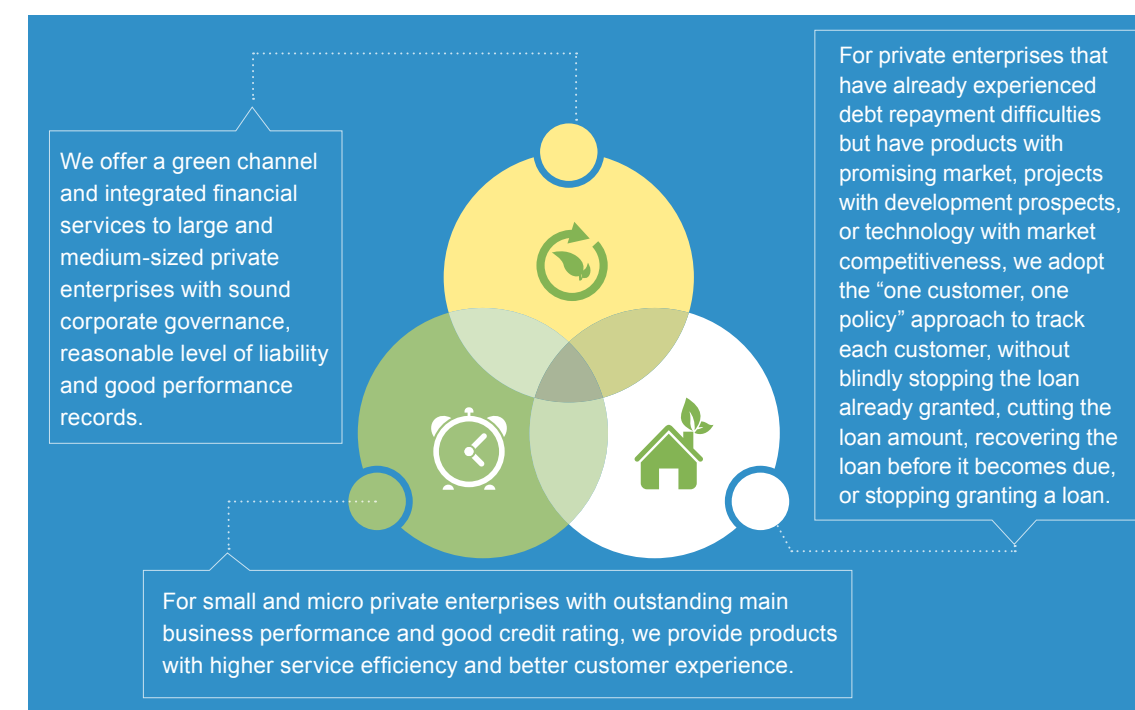
The Bank launched the product series of "high-quality mortgage", "weak guarantee" and "pure credit" to meet the diversified financing needs of private enterprises and small and micro enterprises. We actively applied new technologies such as internet and big data to create a financing mode that offers end-to-end online operation and is completely secured by credit. Our introduction of the loan renewal business without repayment of the principal effectively addressed the problem of "bridge funds".

In addition to traditional credit services, the Bank provided various direct financing tools and differentiated its financial services to private enterprises, which met their diversified needs for structural financing and reduced their costs and leverage rate. The Bank had provided to more than 1,800 enterprises with direct financing such as bond investment, asset-backed securities, exchangeable bonds, convertible bonds and preference shares. As at the end of 2018, the investment balance was more than RMB394,000 million.

Capacity building and professional support

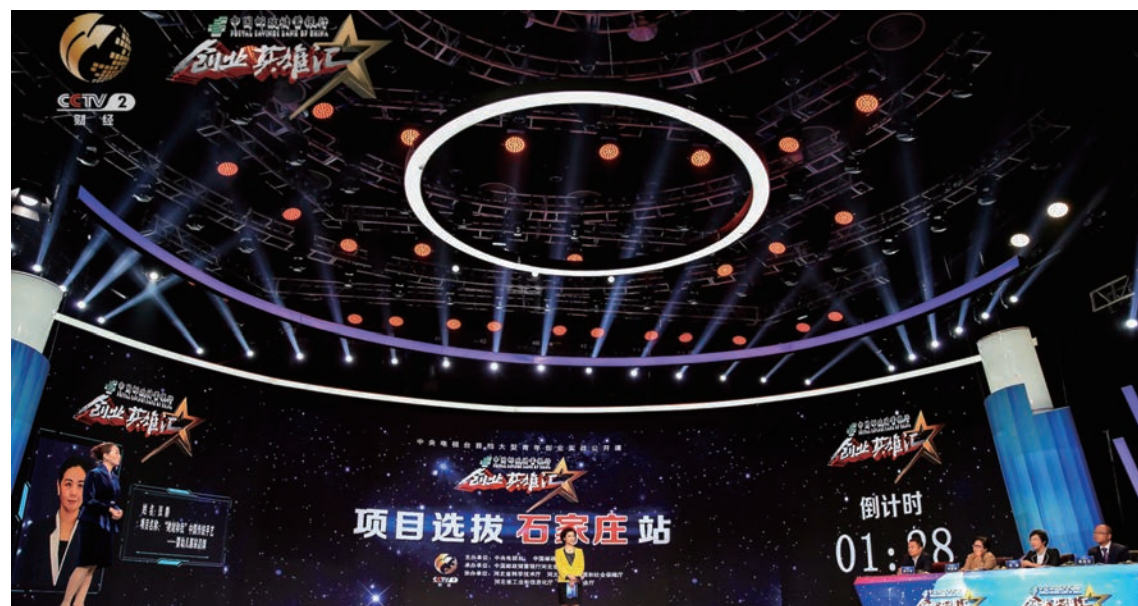
As at the end of 2018, the Bank had built a team of nearly 30,000 people, i.e. one-sixth of its staff, to serve small and micro enterprises professionally. In addition, since 2015, the Bank has issued a monthly small and micro enterprise index, and built a sample database of small and micro enterprises covering nearly 75% of China's county areas. By monitoring the key indicators of small and micro enterprise index, we provided useful reference for the government in formulating policies, for small and micro enterprises to determine their development path, and for social organizations in improving their services to small and micro enterprises.

Whitelist management



Case Study

Start-up Heroes make dreams fly



Start-up Heroes' tryout in Shijiazhuang

In order to create more financing opportunities and provide broader showcase platform for outstanding entrepreneurs and small and micro enterprises, the Bank has become the exclusive sponsor of CCTV Financial Channel's program *Start-up Heroes* since August 2017. The program aims to help entrepreneurs realize their dreams and boost China's economic development, known as *China's Incubator for Good Projects*. Since 2017, the Bank and *Start-up Heroes* jointly held five project selection tryouts, selected more than 40 outstanding entrepreneurs among tens of thousands of small and micro entrepreneurs from various industries across the country, and let them showcase on the *Start-up Heroes* stage, making great contributions to call on the whole society to pay attention to and support the development of small and micro enterprises.

Sun Lanbo is an entrepreneur recommended by the Bank to the *Start-up Heroes*. In February 2018, Sun appeared on the CCTV program with his Tertiary Carbon Solutions after winning the Shenzhen leg of PSBC selection tryouts of the *Start-up Heroes* audition and obtained an intentional financing agreement of RMB10 million on the show. In December 2018, he was listed as one of the CCTV China's Top 10 Start-up Models in 2018. Sun's team took on a key R&D plan of the 13th Five-Year Plan and successfully developed a series of tertiary carbon dry powder paint, which does not contain ingredients harmful to the environment and human health, and is of great significance to protecting the health of residents and ecological environment. In the course of its development, Hebei Branch provided a total of RMB78.2 million of financial support.

“With the recommendation and help of PSBC, I participated in the *Start-up Heroes* primary election, and finally got the vigorous support of guests and investors on CCTV's stage. This is not only a tremendous support for the company, but also a great encouragement for entrepreneurship.”

— Sun Lanbo, 2018 CCTV China's Start-up Model and a PSBC customer

Case Study

“Small and Easy Loan” facilitates the development of small and micro enterprises

The Bank launched the upgraded online “Small and Easy Loan” to improve the loan application experience of small and micro customers. It applied big data analysis to provide unsecured loans to premium customers. It takes only 1-2 working days from loan application to loan granting, while the latter only takes 5 minutes.

“Small and Easy Loan” focuses on behavioral data of small and micro enterprises in four aspects, namely, increase in tax payments, VAT invoicing, negative external information and cooperation with the Bank. It greatly relieved the financing difficulties faced by small and micro enterprises due to no collateral and no guarantee while keeping credit risks under control.

“Requiring no guarantee, PSBC's Small and Easy Loan solves the financing difficulties faced by private enterprises lacking effective collateral guarantee. Granted fast with simple procedures and high efficiency, it solved my urgent needs. I am sincerely thankful to PSBC for its support.”

— Head of AnHui Chuzhou Baizhiyuan Industry & Trade Co., Ltd.



A credit manager visits a corporate client after loan granting

Boosting Rural Revitalization

The Bank actively implemented the plans of the CPC Central Committee and the State Council that support the rural revitalization strategy, gave full play to its advantages in network, funds and expertise, continued to enhance its ability in providing financial service to "Sannong" customers and built a professional agriculture-related service system.

The Bank issued the *Implementation Opinion of Postal Savings Bank of China on Comprehensive Support for Rural Revitalization Strategy* and the *Guiding Opinions of Postal Savings Bank of China on Credit Policies for Rural Revitalization (Sannong Finance)* to promote 10 financial modes in support of rural revitalization. We issued jointly with the Ministry of Agriculture and Rural Affairs the *Opinions of the Ministry of Agriculture and Rural Affairs and Postal Savings Bank of China on Strengthening Financial Cooperation in the Field of Agricultural Industrialization to Promote the Implementation of Rural Revitalization Strategy*, to promote the development of high-quality agricultural industrialization, promote structural reforms on the supply side of agriculture, and fully serve the rural revitalization strategy.

In accordance with the overall requirements and objectives of its support for rural revitalization in 2018-2020, the Bank continued to improve the systems and mechanisms of its Sannong Finance Department, and actively built a synergistic ecology supporting "Sannong" and a system of five agricultural-related loan products. It strengthened the application of internet technology, and vigorously supported key areas in rural revitalization such as food security and supply of agricultural and sideline products, integration of primary, secondary and tertiary industries, organic connection of small farmers with modern agriculture and building of a beautiful countryside.

As at the end of 2018

The balance of agriculture-related loans of the Bank was **RMB1.16 trillion**, an increase of **RMB107,286 million** or **10.18%** from the end of the previous year.

The balance of personal business loans, mainly unsecured loans to farmers and unsecured loans to agriculture-related merchants was **RMB557,126 million**, ranking high among national commercial banks.

The Bank extended micro loans of nearly **RMB1.62 trillion** accumulatively and the loan balance amounted to **RMB176,000 million**. The average size of each micro loan was merely over **RMB70,000**.

The Bank granted a total of **RMB172,400 million** loans accumulatively to new types of agricultural businesses such as family farms and farmer cooperatives, with a balance of **RMB56,652 million**, up by **30.83%** from the end of the previous year.

Supporting key areas of rural revitalization

I. Ensuring food security

The Bank established a financial service working mechanism for grain collection and storage, took the initiative to follow up on the grain collection and storage system reform and actively improved comprehensive financial services.

III. Promoting the integrated development of primary, secondary and tertiary industries

Focusing on the key leading enterprises of agricultural industrialization, the Bank actively promoted the "1+N+X" (that is, introduce 1 core leading enterprise, which can drive N upstream and downstream customer groups, and cover X rural financial products) financial services for the agricultural industry chain, and supported the development of new types of agricultural businesses and small farmers.

V. Promoting the building of a beautiful countryside

The Bank continued to strengthen the support for agricultural and rural infrastructure construction, such as sewage treatment, waste disposal and rural power grid transformation, to promote the improvement of the rural living environment and the building of a beautiful and livable countryside.

VII. Building creditworthy villages and towns

The Bank gave full play to the leading role of Party branch committees and village committees and leaders in wealth creation, actively built creditworthy villages and carried out the evaluation of creditworthy households, and realized "whole village credit granting" and "development in batches", creating a good financial ecology in rural areas.

II. Supporting the supply of agricultural and sideline products

By supporting market infrastructure construction, trading system building, and merchant funds settlement, the Bank continued to promote "market + merchant" integrated financial services that are offered to wholesale markets of agricultural products, agricultural industry parks, cold chain logistics enterprises, etc.

IV. Fostering connection between small farmers and modern agriculture

The Bank supported small agricultural households to expand production and helped them develop into new agricultural business entities. We promoted coordination between wholesale and retail businesses, and gave full play to the leading enterprise's role of supporting small agricultural households.

VI. Precision poverty alleviation via financial services

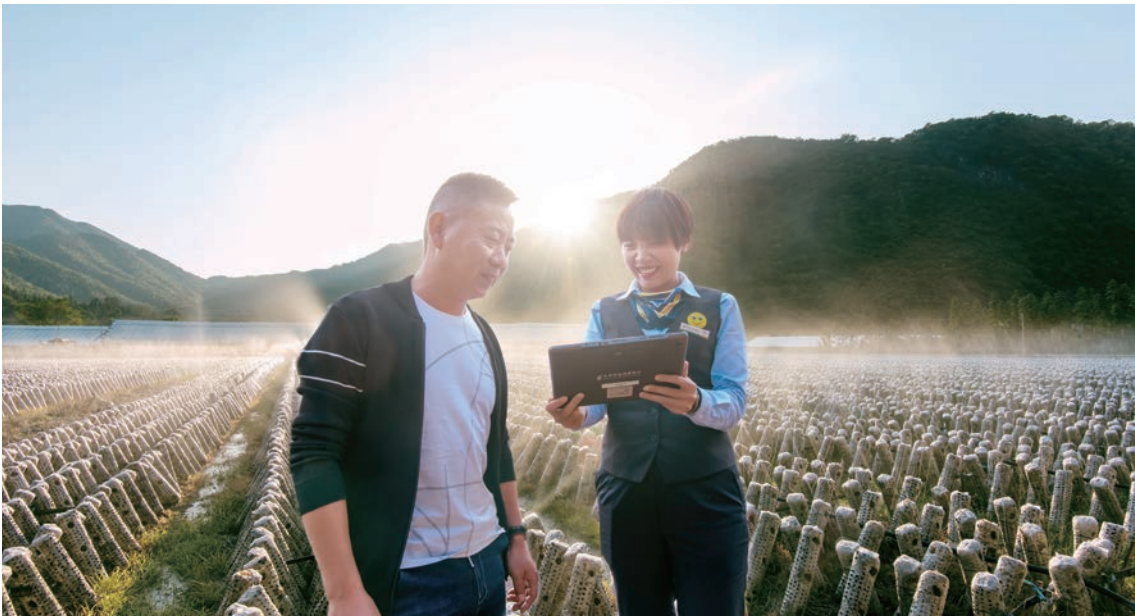
The Bank attached great importance to precision poverty alleviation via financial services and continued to increase efforts in this aspect. The Bank increased loans to deeply impoverished areas, offered targeted poverty alleviation support to registered poverty stricken population and actively promoted poverty alleviation through industrial and project development.



Case Study

Coordinated support for farmers in breeding industry

PSBC Liaozhong County Sub-branch in Shenyang, Liaoning Province granted a total of RMB2,300 million of "Sannong" loans in 10 years, including RMB470 million in 2018, to help the beef cattle breeding industry in Liaozhong to grow and build a large-scale farming community. In the meantime, the Bank carried out financial innovation with guarantee companies and insurance companies and raised the credit line up to RMB2 million per loan application to meet the diversified loan needs of breeders. The rural environment is becoming more beautiful, and farmers' lives are getting better and better.



Financial aid for beautiful countryside

Case Study

"Loan"-driven eco-agriculture

At a family farm in Yangxin Eco-Agricultural Park in Yecuoshan, HongweiXiyuan Village, Minhou County, Fuzhou, Fujian Province, Mr. Huang and his son are busy picking fresh dendrobium to deliver to customers in Beijing and Hong Kong.

Since the founding of the farm nearly 20 years ago, Mr. Huang has always adhered to building "green natural" ecological agriculture and has figured out the development model of forest interplanting. "We raise free-range chicken in this mountain forest, then we can get free-range eggs. We grow dendrobium on the trees..." Mr. Huang introduced his green farm cheerfully. By utilizing abundant forestry resources, he grows crops and raises livestock on the forest land, forming an ecological circular agriculture in the farm.

To purchase sprinkler irrigation equipment and process and package primary agricultural products, Mr. Huang applied for loans from PSBC Minhou County Sub-branch in Fuzhou, Fujian Province. "We are very positive about the ecological circular farm development model, which is good not only to the sustainable development of enterprises, but also to the ecological cycle." said the person in charge of PSBC Fuzhou Branch.

In the past three years, PSBC Fuzhou Branch granted more than RMB1,000 million of forestry loans accumulatively, serving more than 8,000 forest farmers and forestry enterprises. That not only effectively lifted forest farmers out of poverty, but also supported the high-quality development of modern forestry enterprises.

Case Study

Micro loans facilitating rural housing construction

PSBC Zhejiang Branch issued "micro loans for rural housing construction" to support the construction of new rural areas in the form of villages-in-the-city and agglomeration sites promoted by the Zhejiang provincial government. It has now met the demands of more than 4,000 farmers for rural housing and other supporting facilities, totaling close to RMB1,000 million, effectively promoting the improvement of the rural living environment.



Financial support ensures good harvest

Case Study

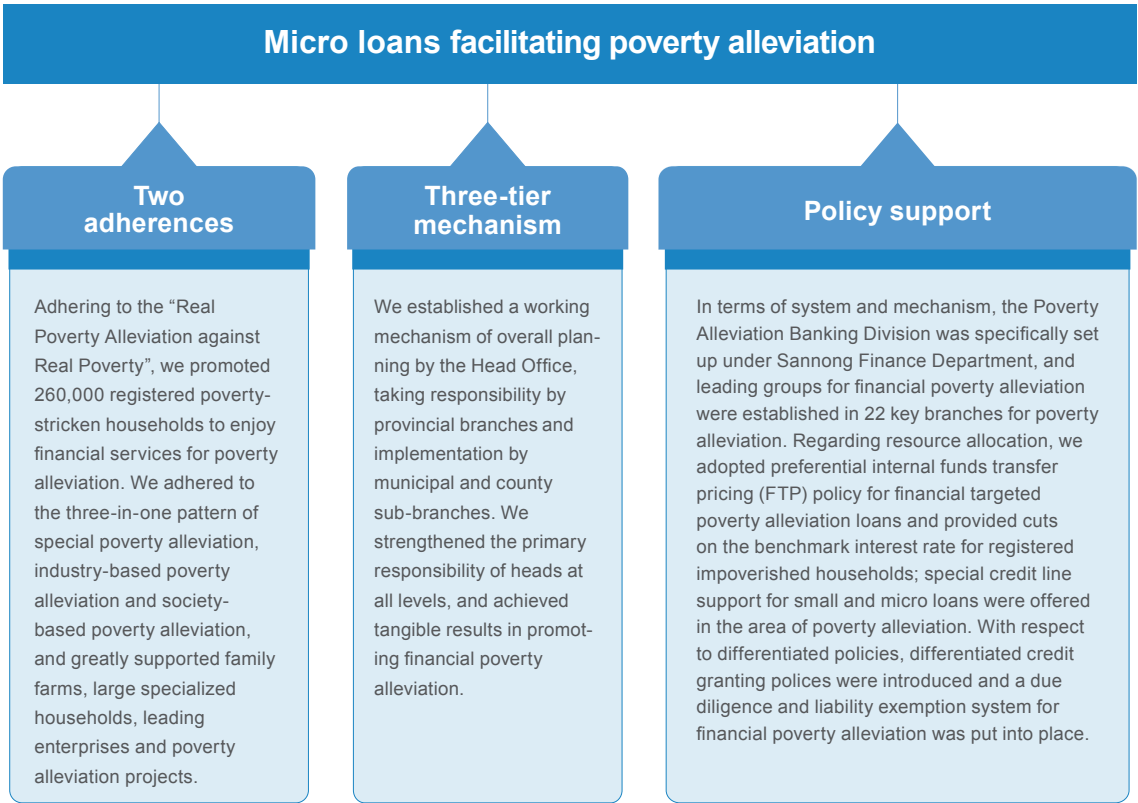
Creditworthy village construction promoting income increase

PSBC Hainan Branch has promoted the construction of "creditworthy villages". Through "credit granting" and "credit enhancement", it has not only effectively controlled risks, but also relieved the financing difficulties in the development of "Sannong". As at the end of 2018, the branch had rated 123 "creditworthy villages" and 6,926 "creditworthy households", and granted nearly RMB500 million of loans through whole-village batch development, batch processing and batch granting, becoming an important force in improving the quality and efficiency of Hainan's agricultural development and increasing farmers' income.

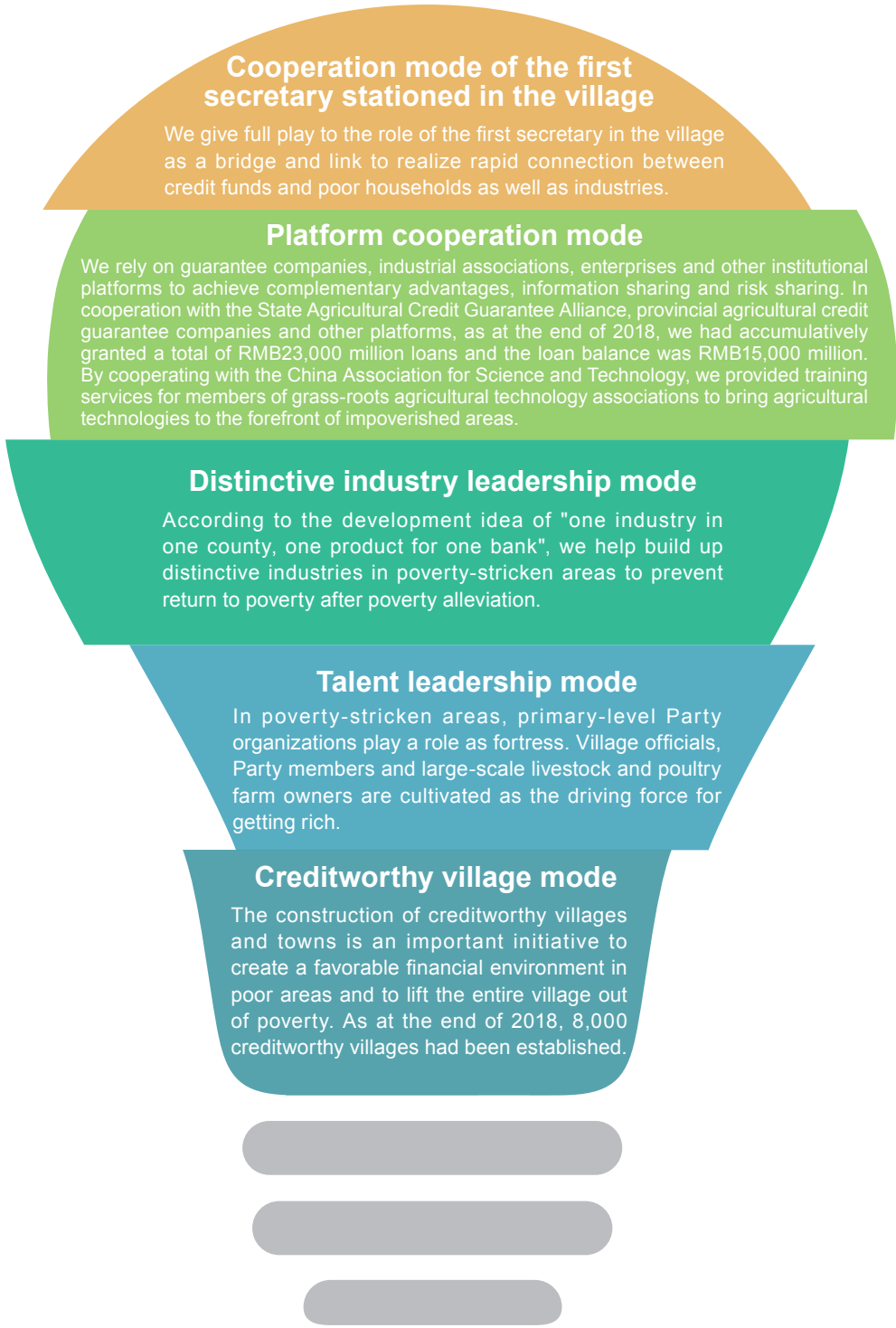
Providing Targeted Services to Poverty Alleviation

Attaching great importance to targeted poverty alleviation via financial services, the Bank put into full play its advantages in network, capital and expertise, strengthened the top-level design of the poverty alleviation, and formulated differentiated credit granting policies and risk management policies. It built five poverty alleviation modes, increased loan products for poverty alleviation, stepped up support for industry-based poverty alleviation, increased financial service support for registered poverty-stricken households, and actively promoted infrastructure development in poverty-stricken areas. Particular attention was paid to helping people increase confidence in themselves to shake off poverty and see that they can access the education they need to do so, so as to improve the self-development capacity and intrinsic motivation of poverty-stricken areas and people for lifting themselves out of poverty of the and help win the battle against poverty.

As at the end of 2018, the Bank had 39,719 outlets, whereof the number of outlets at county level and below was 27,901, which accounted for 70.25%. The balance of financial targeted poverty alleviation loans (including loans to those already out of poverty) was RMB93,858 million, representing an increase of 52.46% compared with the prior year-end. From 2015 to the end of 2018, we had extended micro loans of RMB167,300 million accumulatively in 832 key poverty-stricken counties, serving nearly 1.73 million people. We granted 2,585,500 small guaranteed loans for reemployment with a total amount of RMB206,256 million.



Five poverty alleviation modes

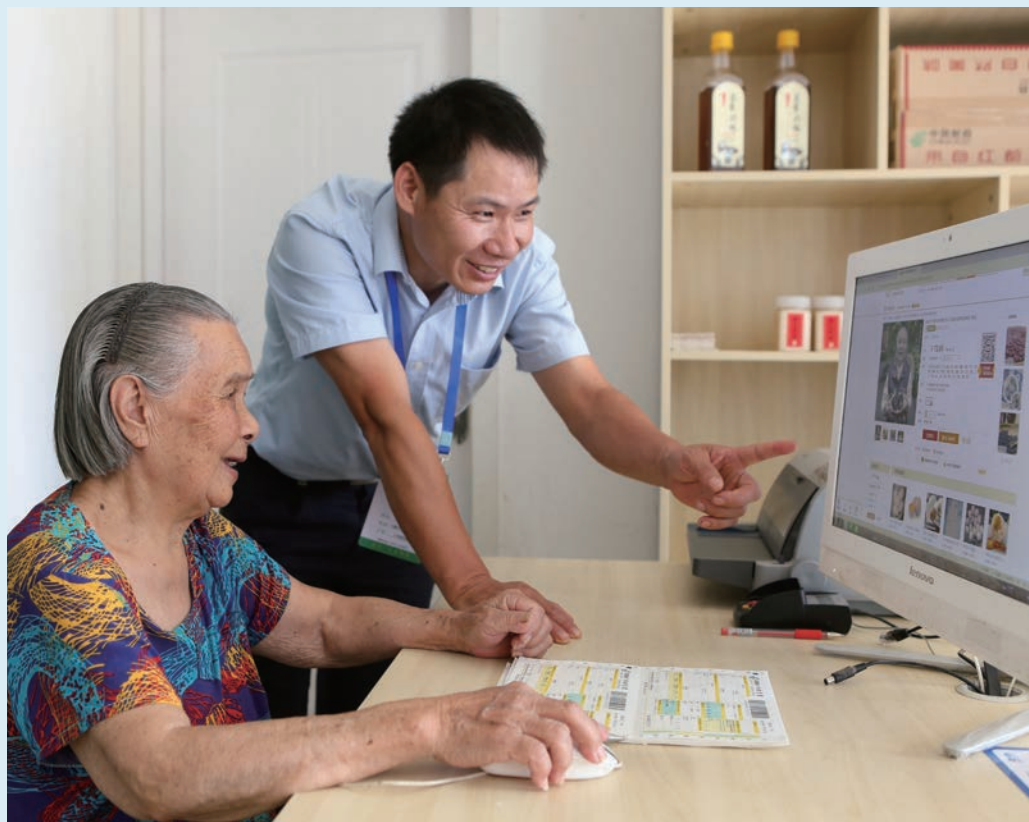


Case Study

“Finance + E-commerce” poverty alleviation

Liao Xiuying, a senior lady from Fenggang Village in Ruijin, Jiangxi Province, is quite skillful in making salted duck eggs and has done it for decades. She did not expand production because of worrying about the sales. PSBC Ruijin Sub-branch and Ruijin Branch of China Post Group jointly helped her set up a cooperative and open a shop on Ule.com, an e-commerce site for poverty alleviation, and granted an “Industry Poverty Alleviation Credit Link” loan worthy RMB300,000 to help her solve the financing difficulties at the early stage of her start-up. As of now, the cooperative has sold 1 million salted duck eggs, generated over RMB3 million sales, lifted 28 members who were poverty-stricken households of the cooperative out of poverty in 2016 and drove 64 impoverished households in neighboring towns to shake off poverty. With the influence of “Grandma Liao's Salted Duck Egg”, local specialties such as lotus seeds, navel orange, tea oil, fermented soybeans and rice wine are also gaining influence online.

In October 2016, 86-year-old Grandma Liao was awarded the National Prize for Striving Forward Against Poverty by the Leading Group on Poverty Alleviation and Development of the State Council. On November 30, 2018, CCTV reported Grandma Liao's story of poverty eradication on *News Broadcast*.



PSBC employee helps Grandma Liao use the PSBC e-commerce platform to open an online shop



PSBC Poverty Alleviation Loan lifts farmers out of poverty

Case Study

Small peppers supporting poverty alleviation

With the help of Luonan Sub-branch, Ma Huifeng, head of the “Spicy Heaven” planting cooperative in Luonan County, Shangluo, Shaanxi Province, established the “Spicy Heaven” planting cooperative, which promoted 7,800 poor households to realize an average income rise of RMB10,000 per household in 2018. Small peppers became an important driver for poverty alleviation in the county.

At the same time, by working with the County Poverty Alleviation Bureau and the Agriculture Bureau, Luonan Sub-branch introduced special credit policies to issue poverty-relief micro loans and large specialized household loans to farmers and registered impoverished households growing peppers. By doing so, it strongly supported the development of the poverty alleviation industrial chain in Luonan County.

“Without PSBC, there would be no ‘Spicy Heaven’ today. With their help, I will work with the people of the whole county to sell peppers to southern Shaanxi and even across China and help poor people get rich.”

— Ma Huifeng, Head of “Spicy Heaven” Planting Cooperative in Luonan, Shaanxi Province

Driving Community Development with Innovation

By vigorously promoting the transformation and development of outlets, the Bank is committed to building a more comprehensive financial product and service system and providing more convenient, efficient and safer inclusive financial services in a bid to help build a better community.

Promoting outlet transformation

In line with the goal of making our outlets intelligent, light, precisely set with integrated functions, the Bank pushed forward the integrated development of outlet business and improved the level of refined management of outlets.

Contributing to consumption upgrade

With the goal of friendly, intelligent and omni-channel development, the Bank built four product systems covering housing, automobile, consumption and education. The focus was put on supporting the emerging areas such as education and culture, tourism and leisure, and healthcare for the elderly. As at the end of 2018, the Bank's balance of personal consumer loans had amounted to **RMB1.69 trillion** and the consumer credit granted to county areas in recent years continued to increase.

Improving personal settlement services

The Bank provided collection and payment agency services and various other settlement services for personal customers. The collection and payment agency services primarily include payments of payrolls, benefits and allowances, collection of utility bill payments and collection and payment of social security pensions. In 2018, the transaction volume of the collection agency services was **RMB800,319 million**, representing a year-on-year increase of **5.43%**; the transaction volume of the payment agency services was **RMB3.84 trillion**, representing a year-on-year increase of **19.72%**. In particular, the Bank provided social security pension collection agency services of **RMB53,464 million** and social security pension payment agency services of **RMB878,577 million**.

Satisfying customers' investment needs

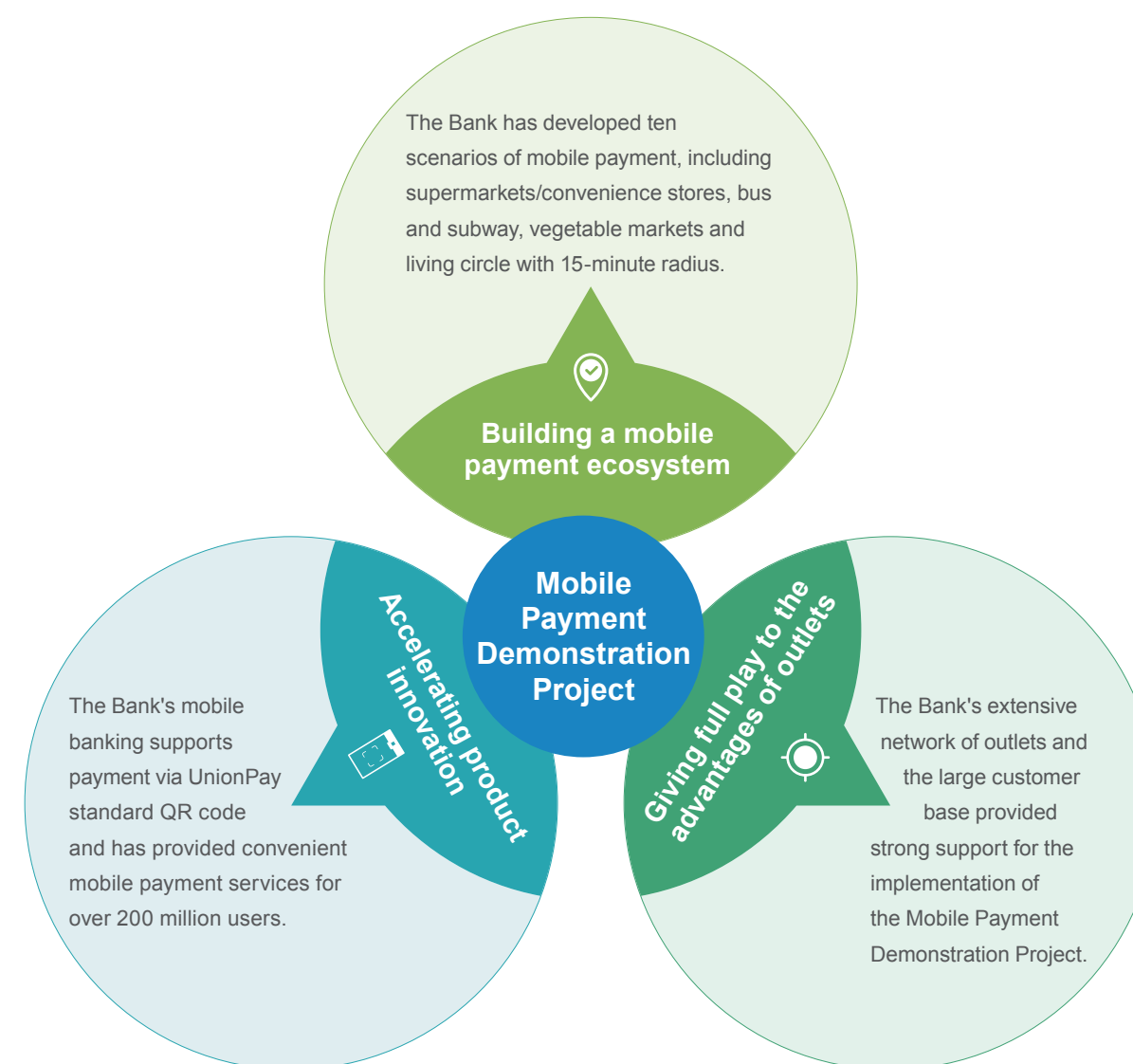
The Bank proactively stepped up its efforts in advancing the transformation and development of its personal wealth management business by launching holiday-limited, VIP-exclusive and new customer-targeting wealth management products on a continual basis, thus better satisfying customers' investment needs. As of the end of 2018, the balance of wealth management products to personal customers was **RMB723,447 million**, representing a year-on-year increase of **7.25%**.

Strengthening personalized services

The Bank provided personalized and comprehensive financial services for key customer groups including pensioners, migrant workers, commerce and trade customers, payroll customers, young customers, and farmers and stockbreeders. As at the end of 2018, the number of the "Golden Age Cards", "Hometown Cards", "Easy Remittance Cards" and "Youth Cards" was **15.63 million**, **94.52 million**, **13.78 million** and **13.18 million** respectively.

Providing intelligent financial services

Relying on technological innovations and big data application, the Bank accelerated the layout arrangement for mobile terminal functions and connected online and offline service channels, and dedicated to customizing one-stop financial services for customers and building a new ecosystem of consumer finance. By starting with building a credit factory, we built an intensive and efficient omni-channel operation system featuring end-to-end management and substantially improved the service efficiency.



Case Study

Blessings and gifts

PSBC combined precious metals with cultural craftsmanship to carry forward traditional culture and meet the people's growing need for a better life. In 2018, four major series of precious metal products, namely "PSBC Blessing", "PSBC Gifts", "PSBC Affection" and "PSBC Treasure" were launched with the theme of Chinese zodiac culture, holiday gift, emotional expression and stamp collection respectively. The purpose was to meet the diversified needs of consumers with excellent products.



Providing considerate financial services

Case Study

Healthcare volunteer co-branded credit card

In October 2018, the Bank and the China Population Welfare Foundation jointly issued the "healthcare volunteer" co-branded credit card at the National Final of the 1st National Healthcare Industry Contest for Youth Volunteer Service hosted by the Civilization Office of National Health Commission. This product was specifically designed for healthcare youth volunteers and public-spirited people. Cardholders can donate to programs of the Population Welfare Foundation RMB1 per 1,000 bonus points redeemed at PSBC Credit Mall. Issuance of the credit card integrated consumer finance with social welfare and achieved the sustainable development of public welfare programs.



The Nice Carnival originated from France, a UNESCO Intangible Cultural Heritage and one of the world's largest and oldest carnivals, was held in Ningbo, Zhejiang Province in 2018. Ningbo Branch was invited to participate in the event, enabling more domestic and foreign visitors to experience PSBC's high-quality convenient and inclusive financial services.



**BUILDERS OF
LOW-CARBON,
ECO-FRIENDLY AND
BEAUTIFUL CHINA**

- **TAKING GREEN ACTIONS**
- **DEVELOPING GREEN FINANCE**
- **ADVOCATING GREEN OPERATIONS**

Taking Green Actions

The Bank earnestly implemented the *Opinions of the CPC Central Committee and the State Council on Comprehensively Strengthening the Protection of the Ecological Environment and Resolutely Preventing and Curbing the Pollution*, the *Overall Plan for the Structural Reform for Ecological Progress* issued by the CPC Central Committee and the State Council, the *Guidelines for Establishing a Green Finance System* jointly issued by seven ministries and commissions including the People's Bank of China and the Ministry of Finance, and the *Guidelines on Green Credit* issued by the former China Banking Regulatory Commission and other policies and regulatory requirements and adhered to the concept of green development. Guided by strategic planning, with organizational management as the guarantee, policies as the foundation, and process management as the implementation measure, we will take actions to fulfill the relevant requirements in pursuit of the goal "Green Post, Green Development". We will actively promote the development of green finance, build a first-class green bank with strong influence and sustainability in the domestic and foreign markets, contributing to the ecological conservation.

The Bank incorporated the concept of green development into its corporate governance framework and, drawing on the experience of the International Finance Corporation (IFC), a strategic investor, continuously improved the environmental, social and corporate governance risk management system, and promulgated the *Regulation on Environmental and Social Risk Management of Postal Savings Bank of China (2018 Version)*. Adhering to the principle of "full process, all elements, all-round and full coverage", the Bank put forward specific requirements for environmental and social risk management in the areas of due diligence, examination and approval, contract signing, loan examination and post-lending management in credit business. By clarifying the departmental responsibilities, management mechanisms, process tools, system control and information disclosure of the environmental and social risk management throughout the credit business process, the Bank strengthened the environmental, social and corporate governance risk management in an all-round way in order to identify, measure, monitor and manage the environmental, social and corporate governance risks more effectively.

The Bank organized special training programs regarding environmental and social management and green governance for the Board of Directors, the Board of Supervisors and the senior management. It organized bank-wide special training on green bank building via teleconference, remote network training on green credit and special statistical courses of green credit, introducing environmental policies, environmental and social risk management ideas and self-evaluation of green credit.

Developing Green Finance

While vigorously promoting the development of green credit and green bond investment, the Bank actively innovated green financial products and services. We conducted the research and development of pure online retail credit products and actively studied the use of biometric identification, mobile device input and other financial technology means so as to enhance operational efficiency, strengthen risk control and deepen low-carbon operation. We actively participated in the Asian Development Bank's energy conservation and

environmental protection fund transfer projects and creatively introduced the green inclusive financial products such as the public welfare program of eco-forest compensation income right pledged loan and waste disposal charge right pledged loan. We launched green finance-themed wealth management products in the field of clean energy and constantly expanded their scale and scope. We also actively prepared for the green bond underwriting and constantly enhanced the integrated green finance services.

As at the end of 2018, the Bank's green loans (energy saving and environmental protection projects and service loans) had a balance of **RMB190,405 million**, an increase of **15.47%** compared to the end of last year. The loans strongly supported the development of green industries such as energy-saving and environmental protection, pollution prevention and control, resource conservation and recycling, clean transportation, and contributed to the building of a resource-saving and environment-friendly society and the development of a beautiful China.



Guangdong Branch provides financial support to green energy companies

Case Study

Net value wealth management product funding renewable energy

For the first time, PSBC issued its first "Green New Energy" net value wealth management products "PSBC Wealth·2017, Joy No. 3" and "PSBC Wealth·2018, Joy No. 19". They raised a total of RMB684 million, which were mainly used for merger and acquisition investment in wind power and photovoltaic renewable energy industry and power generation project entities under construction, contributing to the implementation of the national green energy strategy.

Case Study

“Agricultural Scenery” Power Generation Complementary Project

Sichuan's first “Agricultural Scenery” power generation complementary project was located in Hongge Damian Mountain, Yanbian County, Panzhihua. This project made full use of the advantages of abundant wind, solar and tropical agricultural resources in Panzhihua area, effectively realizing its combination with the 100MW wind power project of Damianshan (Phase II) and the 450 acres of ecological agricultural park project. Adhering to the concept of low-carbon environmental protection, the project, according to its design, could save about 9,000 tons of standard coal, reduce the emissions of 21,900 tons of carbon dioxide, 9.35 tons of sulfur dioxide, 9.35 tons of nitrogen oxides and 2.81 tons of smoke and dust every year. As at the end of 2018, PSBC Panzhihua Branch in Sichuan Province had granted RMB950 million credit line to this project.



The first “Agricultural Scenery” Power Generation Complementary Project supported by PSBC Panzhihua Branch in Sichuan Province

Case Study

Ecological Forest Compensation Income Right Pledge Loan (Public Welfare Project)

PSBC Zhaoqing Branch in Guangdong Province granted Guangdong's first ecological forest compensation income right pledged loan. This product reduced the financing cost, provided flexible ways to extend loans, revitalized the ecological forest assets, realized the transformation of “dormant value” of ecological forestry, and effectively solved the financing difficulty of ecological forestry. At the same time, it helped the development of forestry resources, raised the income of forest farmers, and expanded the diversified ecological compensation mechanism.



Credit managers visited the eco-forest in Xiaoxiang Town, Gaoyao District, Zhaoqing, Guangdong Province

Case Study

“Sewage Loan” helps sewage treatment

PSBC Guangxi Zhuang Autonomous Region Branch launched a “sewage loan” to provide a credit line of RMB20 million for the sewage treatment plant of Mingyang Industrial Zone in Nanning City. The plant has a sewage treatment capacity of 80,000 tons/day and water reuse capacity of 20,000 tons/day. More than 7 million tons of water could be saved in one year alone.

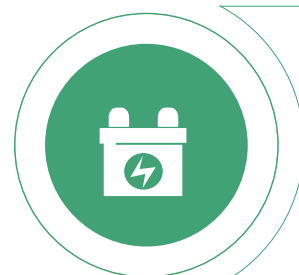
Advocating Green Operations

The Bank strictly abided by the laws, regulations and national policies such as the *Environmental Protection Law of the People's Republic of China*, the *Energy Conservation Law of the People's Republic of China* and the State Council's *13th Five-year Comprehensive Work Programme on Energy Saving and Emission Reduction*. In 2018, the Bank issued the *Notice on Advocating Green Office at the Head Office* and set up an energy-saving leadership group at the Head Office to form a synergistic linkage mechanism in order to further promote green office. The Bank was also committed to reducing office paper consumption, implementing waste classification and harmless disposal of waste, exploring the green operation and maintenance of data center infrastructure, implementing responsible procurement and deepening the low-carbon operation of the financial business for the sake of building an environment-friendly green bank.



Reducing office paper consumption

The Bank advocated the document circulation through electronic means such as e-mail and office software, double-sided photocopying and printing, and meeting presentation by multimedia system to reduce paper submissions.



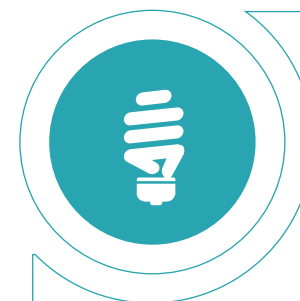
Disposing of hazardous waste

The Bank advocated the regular recycling and intensive disposal of used toner cartridges and batteries instead of irresponsible random disposal. Meanwhile, we reduced the impact of computers, printers and other electronic equipment wastes to the environment by testing, evaluating, classifying, decomposing and uniformly keeping them, from the perspective of the product life cycle.



Disposing of non-hazardous waste

The Head Office signed a service agreement with professional institutions to centralize the recycling of household waste. The Bank disposed of end-of-life vehicles in line with the *Measures for Management of Fixed Assets of the Postal Savings Bank of China (2016 Version)*.



Reducing energy consumption

The Bank renovated low energy-efficient equipment, purchased state-certified low-energy-consumption equipment to eliminate old high-energy-consumption ones, used water-saving water heaters and LED lamps in office buildings, strictly complied with the requirements of regulatory authorities in respect of official vehicle using, phased out old vehicles, and strictly prohibited emissions exceeding the standard.

The Bank also advocated the use of teleconference instead of on-site meetings to reduce vehicle use for relevant personnel to attend meetings. In 2018, the Head Office convened a total of 88 videoconferences and 102 video training courses and reduced gasoline consumption of official vehicles by 33% year-on-year, which effectively reduced the emission of harmful gases.



Continuously promoting the green operation and maintenance of data center infrastructure

We improved the integrated operation and maintenance system of the Head Office featuring "three centers in two places" (Beijing Production Center, Local Disaster Recovery Center, and Hefei Remote Disaster Recovery Center), and coordinated the operation and maintenance of our information systems. We promoted a bank-wide cloud resource management system and conducted automatic real-time monitoring of the energy utilization efficiency of computer rooms. Through collecting and analyzing the energy consumption data of the basic resources of computer rooms, we formulated an operable energy-saving strategy, refined the energy management and continuously promoted the green operation and maintenance of the data center infrastructure.



Responsible procurement

We emphasized suppliers' social responsibility performance and set clear requirements for relevant performance of the suppliers in the procurement documents and contracts. Specifically, suppliers participating in procurement activities of the Bank shall abide by the relevant procurement laws and regulations, comply with the principles of good faith and fair competition, and sign a letter of commitment to integrity in accordance with the requirements of the Bank. During the procurement activities, we would focus on examining whether suppliers had violated business rules and the principle of good faith.

In the centralized procurement of IT and network equipment, we required suppliers to sign the *Agreement on Energy Conservation, Emission Reduction and Green Environmental Protection*, and urged them to comply strictly with the agreement to fulfill their social responsibilities for energy saving, emission reduction and environmental protection. In the *Regulations on Procurement Management of Postal Savings Bank of China (2018 Revised Version)*, we added the requirements on prioritized procurement of energy-saving and environmental protection products set forth in the *Interim Provisions on Centralized Procurement Management of State-owned Financial Enterprises*.

We added the maintenance of supplier information base and supplier evaluation function in the supplier management module of the procurement management system. IT-based supplier information management is realized by the procurement management system. Besides, the supplier post-evaluation, collection and reply of their daily comments can also be conducted through it.

Environmental Performance Indicators in 2018

Environmental Performance

Unless otherwise specified, the environmental performance results in this section cover the Head Office¹ and domestic tier-one branches of Postal Savings Bank of China.

Energy and resource consumption ²	
Total energy consumption (MWh) ³	181,309.77
Total per capita energy consumption (MWh/person)	10.13
Energy consumption per square meter of GFA (MWh/m ²)	0.26
Direct energy consumption (MWh)	
Company vehicle fuel consumption ⁴	5,812.34
Facility diesel consumption ⁵	316.35
Natural gas	10,434.66
Indirect energy consumption (MWh)	
Purchased electricity ⁶	164,746.42
Purchased electricity power consumption of the Head Office (MWh) ⁷	88,900.39
Daily water consumption (tonne) ⁸	768,842.98
Daily water consumption of the Head Office (tonne) ⁹	165,710.00
Per capita daily water consumption (tonne/person)	42.96
Daily water consumption per square meter of GFA (tonne/m ²)	1.08

Notes:

1. Hefei Base Management Center was added to the statistical scope of the Head Office.

2. As the emission data and consumption data of energy and resources in the machine room could not be measured separately, the Bank's greenhouse gas emission intensity, hazardous waste emission intensity, non-hazardous waste emission intensity, energy consumption intensity and the intensity of daily water consumption calculated per person and per square meter of GFA include both office areas and machine rooms.

3. The energy consumption was calculated based on the electricity and fuel consumption as well as the conversion factors provided by the General Principles for Calculation of the Comprehensive Energy Consumption (GB/T 2589-2008), a national standard of the People's Republic of China, which include purchased electricity, natural gas, fuel consumption by company vehicles, and diesel used by facilities.

4. Company vehicle fuel consumption includes petrol consumption and diesel consumption by corporate vehicles.

5. Facility diesel consumption refers to the consumption of diesel used by back-up generators and a small number of stoves.

6. The purchased electricity of Henan Branch is controlled by the property company of the office building. The electricity bill is included in the property fee, and therefore the electricity consumption cannot be measured separately. Estimation was made based on the *2016 China Energy Statistics Yearbook* issued by the Energy Statistics Department of the National Bureau of Statistics.

7. Purchased electricity power consumption of the Head Office is the total electricity power consumption of the Head Office in Beijing, including the power consumption of Jinding Building office area, Xincheng Building office area, Dacheng Building office area, Fengtai No.72 Building office area, the office area in Advanced Business Park in Beijing, Yongfeng office area, Yizhuang office area and Orient Asset Mansion office area.

8. Daily water consumption includes tap water and reclaimed water. The daily water use at Henan Branch and Inner Mongolia Autonomous Region Branch is controlled by the property company of the office building. The water bill is included in the property fee, and therefore the water consumption cannot be measured separately. Estimation was based on the *Standard of Water Quantity for City's Residential Use* (GB/T 50331-2002) issued by the former Ministry of Construction.

9. Daily water consumption of the Head Office is the total water consumption of the Head Office in Beijing, including water consumption of Jinding Building office area, Dacheng Building office area, Fengtai No.72 Building office area, the office area in Advanced Business Park in Beijing, Yongfeng office area, Yizhuang office area and Orient Asset Mansion office area. The water bill of the Xincheng Building office area is included in the property fee, therefore cannot be measured separately. Besides, the data of the daily water consumption of the Xincheng Building office area has little impact and is of less importance, hence not included in the statistics.

10. Data of packaging materials is not applicable to the Bank.

Emissions	
Sulphur dioxide (tonne) ¹	0.01
Nitrogen oxides (tonne) ²	0.71
Total greenhouse gas emissions (Scope 1 and Scope 2) (tonne) ³	123,383.73
Per capita GHG emissions (Scope 1 and Scope 2) (tonne/person)	6.89
Greenhouse gas emissions per square meter of GFA (Scope 1 and Scope 2) (tonne/m ²)	0.17
Direct emissions (Scope 1) (tonne)	
Company vehicle fuel consumption emissions	1,423.87
Facility diesel consumption emissions	83.18
Natural gas emissions	2,040.35
Indirect emissions (Scope 2) (tonne)	
Purchased electricity emissions	119,836.33
Total hazardous waste (tonne) ⁴	28.37
Total hazardous waste per person (tonne/person)	0.0016
Total hazardous waste per square meter of GFA (tonne/m ²)	0.00004
Total non-hazardous waste (tonne) ⁵	1,897.64
Total non-hazardous waste per capita (tonne/person)	0.11
Total non-hazardous waste per square meter of GFA (tonne/m ²)	0.0027

Notes:

1. Emissions of sulphur dioxide mainly come from fuel consumption by company vehicles, and the sulphur dioxide emission was calculated according to the *Technical Guideline for Compilation of Air Pollutant Emission Inventory for Road Vehicles (Tentative)* released by the Ministry of Ecology and Environment of P.R.C.

2. Emissions of nitrogen oxides mainly come from fuel consumption by company vehicles, and the nitrogen oxide emission was calculated according to the *Technical Guideline for Compilation of Air Pollutant Emission Inventory for Road Vehicles (Tentative)* released by the Ministry of Ecology and Environment of P.R.C.

3. Greenhouse gas inventories include carbon dioxide, methane and nitrous oxide, which mainly come from purchased electricity and fuel. The calculation of greenhouse gases is presented in terms of CO₂ equivalent and is based on the *2015 Baseline Emission Factors for Regional Power Grids in China* published by the National Development and Reform Commission of China and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* issued by the Intergovernmental Panel on Climate Change (IPCC). Among them, as there is no baseline emission factor in the Tibet power grid, and the impact of Tibet Autonomous Region Branch's purchased power data is minor and less important, the purchased power of Tibet Autonomous Region Branch was not included in the calculation of greenhouse gas emissions.

4. The hazardous waste involved in the operations of the Bank is handled by qualified professional companies, which mainly includes used lead-acid batteries.

5. The Bank's non-hazardous waste is delivered to recyclers for disposal, which mainly includes office waste and discarded hard drives, among which the office waste of Guangdong Branch, Shandong Branch, Tibet Autonomous Region Branch, Ningxia Hui Autonomous Region Branch and Head Office departments is handled collectively by the property company for the office buildings and therefore cannot be measured separately. Estimation is made based on the *Handbook of Urban Life Waste Discharge Coefficient based on the First National Census on Pollution Sources* released by the State Council.



DREAM MAKER FOR
HARMONIOUS AND
SHARED BETTER LIFE

- GROWING TOGETHER WITH EMPLOYEES
- ENHANCING CUSTOMER EXPERIENCE
- COMMITMENT TO PUBLIC CHARITIES

Growing Together with Employees

We have always paid close attention to and cared about the growth of employees, strictly complied with the relevant laws and regulations, and protected the legitimate rights and interests of employees. We carried out all-round employee training covering multiple levels to improve the vocational skills and professional literacy of employees. Caring for physical and mental development of employees, we also conducted fruitful activities to create a positive and harmonious working atmosphere for employees.

Protecting the legitimate rights and interests of employees

Standardizing employment policies

We formulated policies on human resources management in accordance with the law, which comprehensively regulated hiring, post transfer and resignation, labor contract management, remuneration and benefits, performance assessment, attendance and leave and other relevant aspects. We attached great importance to diversity policy. There was no discrimination on race, gender or nationality in recruitment and promotion. As at the end of 2018, employees from ethnic minority groups accounted for 6.06% of the total of the Bank, female employees accounted for 61.29%, and the male to female ratio of middle and senior managers of the Bank was 4.96:1.

In accordance with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China* and the *Provisions on Prohibiting the Use of Child Labor* promulgated by the State Council, and other relevant laws and regulations, we have signed the labor contract with employees and fulfilled relevant obligations according to the contract. In 2018, the labor contract signing rate of the Bank was 100%, and the labor contract clearly stipulated working hours, rest days and vacation, labor protection, working conditions and others. No child labor or forced labor was hired in the Bank throughout the year. In accordance with the provisions of the country's labor dispatch policy, we further strengthened the management of dispatched employees. The proportion of dispatched employees in 2018 was within the national standard.

Salary and benefits

On the basis of meeting local minimum wage and basic welfare protection requirements, we provided competitive salary to employees, as well as corporate annuity, supplementary health insurance and other benefits. We have established a strategy-oriented performance appraisal system and a performance-oriented salary distribution policy based on job value. We have continuously improved the post system and the promotion system to open up the channel for employees' career development.

Democratic management

We steadily promoted democratic management, streamlined the channels for employees to express their demands to ensure that employees' opinions and needs were fully respected and responded to. In accordance with the principles of legality, order, openness and fairness, we adhered to and improved the democratic management policy with workers' congress as its basic form. As at the end of 2018, all the tier-one and tier-two branches of the Bank had established workers' congress. Among them, 29 tier-1 branches had formulated staff representative proposal rules, 31 tier-1 branches had conducted staff representative training, and 11 tier-1 branches had made the staff representative inspection rules.

Strengthening vocational training for employees

Focusing on the three-level needs of strategic implementation, business development and personal growth of employees, we actively pushed forward the building of an education and training system of modern commercial bank through training, with building a professional workforce as its core, improvement of employees' competence and ability as its main line, and building of a learning bank as its goal. Keeping pace with our business management and development, we focused on strengthening the training of middle and senior managers, effectively cascaded the Head Office's strategies and management policies from top to bottom, and thus improved the business management of branches and sub-branches. We gave full play to the role of strategic investors by actively engaging in training programs with them, and building up international talent reserve and cultivation. Through classroom learning, qualification authentication, online learning, on-the-job training, exam contests and overseas training, we have systematically trained our workforce. We increased trainers and enhanced course development as well as the building of mobile learning platform, enriched teaching resources and training platforms, and enhanced the support for training on all fronts.

In terms of information security training, we actively carried out a number of network security trainings and campaigns, held training workshops on IT risk management and network security, and organized network security attack and defence drills, operation and maintenance workplace fire training, and software security development and management training, etc.



Carrying out skills competitions to improve professional competency

Caring for employees' physical and mental health

We conducted regular health checkups for employees, and formulated reasonable health checkup packages based on age, gender and job features to ensure the effectiveness of health checkup. Based on the actual needs of the employees, institutions at all levels organized health lectures to help employees prevent diseases and maintain physical and mental health. In 2018, we continued to focus on stress relief service for employees, intensified the communication and knowledge dissemination regarding mental health, and provided timely counseling and assistance to employees who were at specific times, positions or in emergencies. We continued to standardize the labor protection for female employees and the signing of collective contracts with them, focused on the guarantee of maternity leave and other benefits for female employees, and ensured that they enjoyed fertility benefits in accordance with the local policies. We pushed forward the construction of "Employees' Corner" and built 8,034 of them in total. In 2018, we invested RMB59.47 million in this regard and 2 institutions won the title of "National Model Home of Staff". We conducted an online employee survey, trying to look into employees' working and living conditions by means of anonymous questionnaire. A total of 141,000 employees participated in the survey, covering 78% of the Bank's total.



"Employees' Corner" in Beizhanlu Sub-branch in Shenyang, Liaoning Province



Sub-branch Head demonstrates how to use the fire hydrant to the staff

In 2018, we issued the *Guiding Opinions on Effectively Strengthening Fire Safety Management* and other documents to further improve the fire safety responsibility mechanism, revised and issued eight policies including the *Administrative Measures for the Security Expert Pool of Postal Savings Bank of China (2018 Version)*, *Administrative Measures for Standardization of Safety Management of Business Locations of Postal Savings Bank of China (2018 Version)*, etc. We complied the Collection of Safety and Security Work Rules of Postal Savings Bank of China to provide guidance to security officials and business personnel at all levels in learning the latest security rules. We actively carried out campaigns to reach safety management standards, further enhance the professional competence and management ability of safety managers, and improve employees' safety awareness and safety prevention skills.

Case Study

Rich and varied staff activities



The image shows a banner for the 'China Postal Savings Bank 2018 E-Sport Competition' (中国邮政储蓄银行2018电竞大赛) with a 'KING OF CITY' logo. Below the banner, a group of men in white and black tracksuits stand on a stage.

E-Sport Competition



A group of men in pink t-shirts and black shorts are running on a green field, carrying a large red and blue inflatable ball.

Fun Sports Day



Two men in red t-shirts and black shorts are playing badminton on a green court.

Badminton Competition



A group of people, including children in traditional Chinese clothing, are sitting on a stage. A banner in the background reads '礼“遇”——让传统走进家庭' (Inheritance of Chinese traditional culture and building of a harmonious PSBC family).

Inheritance of Chinese traditional culture and building of a harmonious PSBC family



A large group of people, including children, are standing in front of a banner that reads '邮储银行信用卡中心植树活动' (Voluntary tree planting activity).

Voluntary tree planting activity

Enhancing Customer Experience

The Bank focused on using technology to empower financial innovation, continued to improve its product and service system. We have put in place and continued to improve the end-to-end consumer protection system. We also carried out campaigns to spread financial knowledge, creating better customer experience.

Providing high-quality services

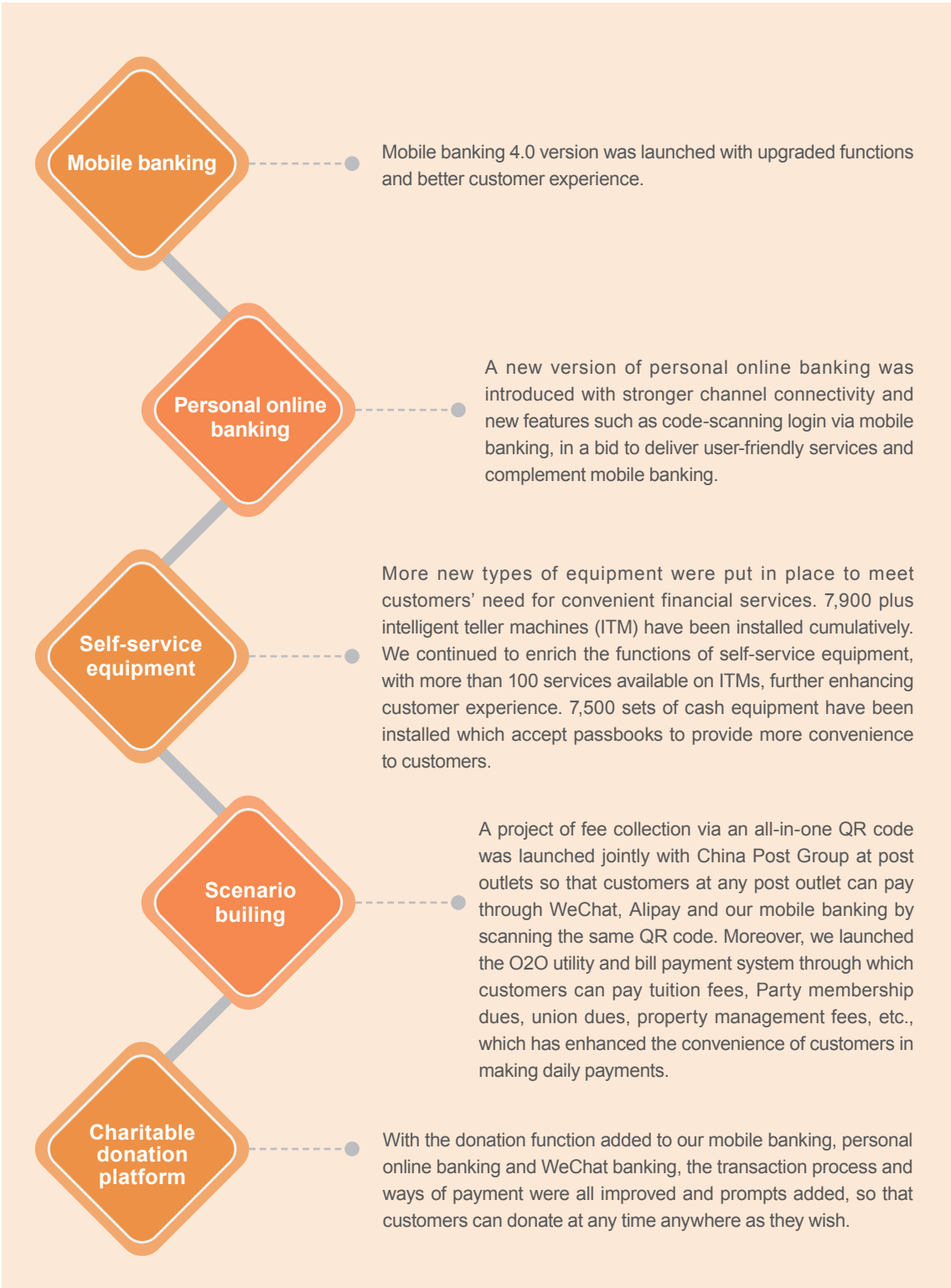
The Bank built an all-round electronic banking system incorporating online banking, mobile banking, self-service banking, telephone banking, and WeChat banking, creating a financial service landscape featuring interconnection between electronic channels and physical network and collaboration between offline physical banks and online virtual banking. As at the end of 2018, the Bank had **8,440** accessible outlets, **277 million** e-banking customers, **218 million** mobile banking customers, and **210 million** personal online banking customers. The e-channel transaction ratio was **90.44%**.

In 2018, 95580 customer service center continued to strengthen its operation and management on all fronts, and handled **145 million** calls throughout the year, including **120 million** incoming calls via the telephone banking system. **31,701,700** incoming calls were taken by operators, with a through rate of **91.82%**, while **24,697,100** calls were handled by robot. The accuracy rate of the intelligent customer service was 94.01%, achieved through model training, optimized intention and corpus. Besides, the intelligent customer service was added to the mobile banking, and thus covered all online channels. By doing this, the proportion of intelligent customer service increased from **5%** at the beginning of the year to **30%**. In 2018, the Bank was awarded the Quality Service Award by the China Banking Association with customer satisfaction reaching **99.01%**.

Financial innovation supported by technology

Intelligent customer service system	Based on natural language understanding and deep learning algorithm, the intelligent customer service system can intelligently and accurately interpret customers' queries and provide clear and intelligent Q&A service. As at the end of 2018, the intelligent customer service system had been connected to various channels including mobile banking, portal website and WeChat banking, and contributed to 30% of the overall work volume of the customer service center with the response accuracy rate up to 94%.
Intelligent voice financial terminal	Based on the intelligent voice platform, the terminal can handle business through voice interaction. By replacing passwords with identification via bio-metric authentication of "finger + face" or "iris + face", it is convenient for disabled people to do financial transactions.
Remote Authorized Robot Project	Smart document recognition, face recognition and other technologies were adopted to streamline the authorization process and confirm the authenticity of customer information, shortening the processing time of business authorization review to less than 2 seconds and hence improving customer experience.

Progress of e-banking





Mr. Bengt Holmstrom, a Nobel Prize laureate in economics, arrived at PSBC Lushanlu Sub-branch in Nanjing, Jiangsu Province and interacted with a robot.

Case Study

Innovative automatic investment plan service

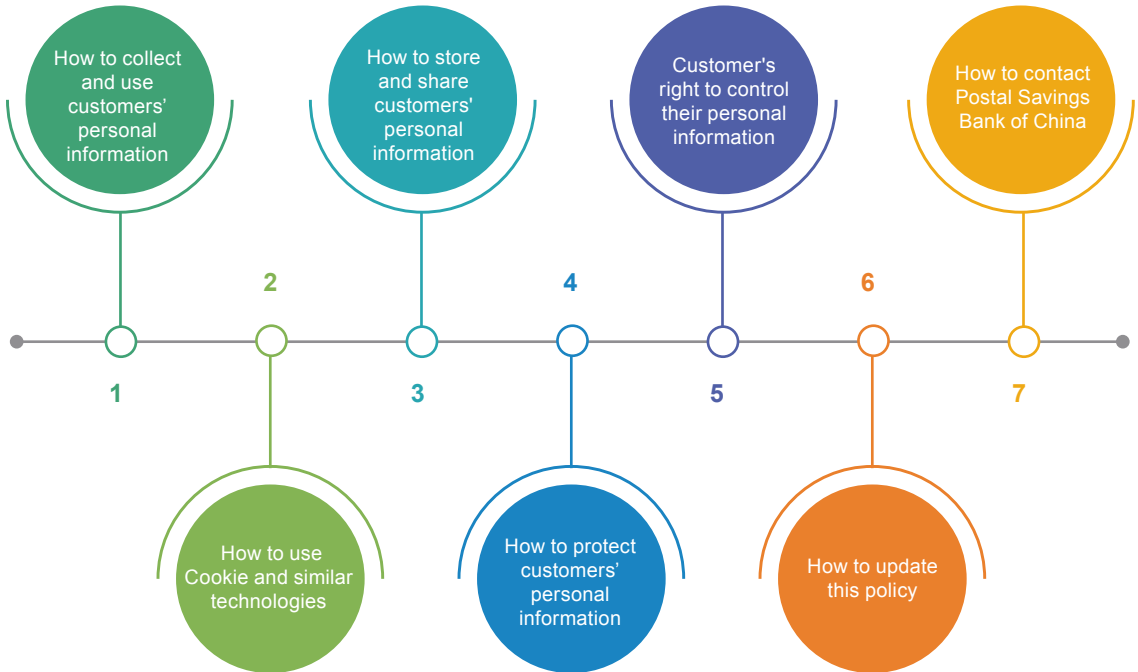
PSBC launched the automatic investment plan (AIP) service – “U AIP” on mobile banking, adding the functions of automatic stop-profit redemption and renewal of investment based on AIP. “U AIP” features simplified operation by only one click. The stop-profit redemption can effectively avoid excessive changes to investment returns due to market fluctuations. It not only provides time-saving and labour-saving investment solutions for customers but also solves the problem of “when to sell” in AIP, further enhancing customer experience.

Strengthening consumer protection

In 2018, the Bank further incorporated consumer protection into corporate governance, corporate culture building and business development strategies. It renamed the Social Responsibility Committee of the Board of Directors as the Social Responsibility and Consumer Rights Protection Committee to include responsibilities of consumer protection. Besides, the Bank improved the institution and mechanism concerning consumer protection, and refined related policy system. Specifically, we unveiled 49 polices on consumer protection, including the *Management Measures for Customer Complaints of Postal Savings Bank of China (2018 Revised Version)*, *Management Measures for Service Prices of Postal Savings Bank of China (2018 Revised Version)*, and *Management Measures for Personal Customer Information Protection of Postal Savings Bank of China (2018 Version)*. The Bank strengthened business behavior management by carrying out a three-year service quality improvement program, improving compliant handling mechanism, promoting the implementation of the industry standard of statistics, classification and coding for financial consumers’ complaints, and stepping up consumer protection throughout business process. In addition, it focused on improving complaint handling capacity and made targeted efforts to address customer complaints. As a result, the timeliness ratio of complaint handling and customer satisfaction continued to grow. In 2018, the number of customer complaints decreased by 51.43% year on year, and the satisfaction of complaint handling reached 99.45%. The Bank was awarded as “Institution with Best Performance” by the China Banking Association for the campaign “Popularizing Financial Knowledge” campaign.

The Privacy Policy for Electronic Banking of Postal Savings Bank of China formulated by the Bank is a general privacy policy governing its electronic banking, and is applicable to the Bank’s mobile banking, personal online banking, WeChat Banking and other electronic banking channels.

The Bank's privacy policy governing its electronic banking includes the following seven items:





Qinghai Branch stepped up efforts to popularize financial knowledge for ethnic minorities, combining publicity with projects such as targeted poverty alleviation. They communicated the knowledge to ethnic minorities in local languages. The photo shows that Qinghai Branch Haixi Sub-branch seized the opportunity of lycium barbarum picking season, carried out a publicity campaign on "improving cardholders' awareness of using cards safely and building a good banking and payment environment" to help farmers enhance their risk prevention awareness.



Popularizing financial knowledge in an enterprise

Case Study

Insurance Customer Service Festival

Since May 2018, PSBC held an Insurance Customer Service Festival on a monthly basis to communicate the importance of insurance in various forms and through multiple channels by stages and themes to cultivate customer's awareness of risk protection and long-term savings. We selected and promoted high-quality products from key cooperative insurance companies and provided value-added services to customers in view of their conditions. In addition, the Bank carried out investment manager training via WeChat courses and other forms, which further enhanced the professional abilities of the team and provided customers with an overall experience of "multiple products, all-round protection and considerate services".



Providing customers with convenient service by mobile banking

Case Study

Safeguarding customers' funds


In July 2018, two elderly Hong Kong customers went to Baocheng Sub-branch in Shenzhen for cash transfer. The lobby manager took the initiative to ask if they knew the payee. The couple answered with hesitation which has drawn the lobby manager's attention. After getting to know more details, the safety personnel of the sub-branch made a preliminary judgement that it was a telecommunications fraud. While appeasing the elderly, the employee timely informed the sub-branch manager and the police office. Following inquiries, judgments and persuasion by the police officer, the sub-branch helped the customers avoid economic losses of more than RMB20,000.

In 2018, the Bank launched campaigns such as "Month for Communication and Education on Prevention of Illegal Fund-raising", "Financial Knowledge Publicity Month", "Popularizing Financial Knowledge, Safeguarding Your Wallet", and "Popularizing Financial Knowledge and Improving Financial Literacy, i.e. to Be a Good Financial Netizen", and explored new communication modes such as "Poverty Alleviation by Financial Knowledge" and "Finance + Internet" with the Bank's characteristics. Branches and sub-branches actively carried out campaigns with their own characteristics while doing routine publicity. For example, Guizhou Branch carried out the "3H" (i.e., 3 Helps) publicity activities on financial knowledge, helping teachers and students to gain financial knowledge, and local residents to understand financial knowledge, as well as improving farmers' financial literacy. Beijing Branch undertook publicity campaigns of "Spreading financial knowledge in classrooms - Fendou Primary School" organized by the Operations Office (Beijing) of the People's Bank of China. The Bank actively safeguarded the interests and property security of the public, and successfully intercepted 662 telecommunications network frauds in 2018, recovering economic losses of more than RMB19.8 million for customers.

In terms of advertising and media publicity, the Bank formulated advertising design specifications in strict compliance with laws and regulations including the *Advertising Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China*. In 2018, the Bank was not aware of any event that violated relevant laws and regulations on product and service information and logos, marketing and promotion, or any case which might have a significant impact on the Bank.

Case Study

Popularizing financial knowledge



Spreading financial knowledge to the countryside


Commitment to Public Charities

In accordance with the philosophy of inclusive finance, the Bank established and gave full play to the PSBC Love Charity Platform, which poured in social forces, aroused public awareness of charity, and delivered humanistic care so as to boost China's charity cause in a regular, diversified and sustainable way. The Bank aims to become an innovator and practitioner of public charities in China.



PSBC Love Charity Platform

On March 20, 2017, on the occasion of its tenth anniversary, the Bank announced that it integrated internal and external resources and officially launched the PSBC Love Charity Platform. The first four initiatives were establishing the PSBC Love Charitable Foundation, implementing PSBC Love Growth Plan, setting up PSBC Charity Association of Volunteers and promoting PSBC Charity Day.



PSBC Love Charitable Foundation

In 2017, PSBC and China Foundation for Poverty Alleviation signed the *Cooperation Agreement on the PSBC Love Charitable Foundation*, formally established the PSBC Love Charitable Foundation. They organized the New Great Wall PSBC Love Class of Self-Commitment for senior high school students from registered poor households in national impoverished counties, which, together with the poverty alleviation measures of PSBC in business aspects, made greater contributions to poverty alleviation.

As at the end of 2018, the PSBC Love Charitable Foundation had set PSBC Love Class of Self-Commitment in senior high schools in 33 poverty-stricken counties across the country. We subsidized 1,650 students and granted PSBC Love Scholarship to more than 750 senior high school graduates who had been admitted to universities in 2018. More and more underprivileged students, with the help of the PSBC Love Charity Platform, are getting closer to the dream of "knowledge changes destiny". In 2018, the PSBC Love Charitable Foundation raised more than RMB9 million, among which RMB5 million was donated by PSBC and the rest RMB4 million plus was raised through Tencent Charity platform, ATMs, online banking etc.



PSBC Charity
Association of Volunteers

Since its establishment in March 2017, the Association established 37 branches and recruited 61,707 members. In cooperation with the PSBC Love Charitable Foundation, it organized the PSBC Charity Day on March 20, 2018, and actively publicized the PSBC Love Charity Projects to the society by advertising in branches, “Tencent Charity Hiker” activities sponsored by enterprises and PSBC Charity Jogging. In September 2018, the Association organized 120 PSBC volunteers to visit students of eight PSBC Love Classes of Self-Commitment funded by the PSBC Love Charitable Foundation and their families in poverty-stricken areas.

The PSBC Love Charity is dedicated to provide funds and helping more children continue their studies, develop a positive outlook on life and morally sound values, change their life in the future, and even encourage them to use their learnings and find solutions to root causes of poverty in their hometowns when they return home.

Those children always listened attentively to stories about the outside world and shared their dreams with enormous enthusiasm as well. Despite of hardships facing them, they remained optimistic and display tenacity and hard-working spirit. Such adorable kids also inspired us. This journey not only conveyed care, support and encouragement of the Bank to those children but also made us immersed in positive energy.

On the bridge of love we met each other. We would like to say that dear children, don't be afraid since PSBC Love Charity would accompany you all the way ahead. We wore a big smile on our face with perseverance and hope. Life is not easy but please believe that a single spark can start a prairie fire.

— Employees participating in charity visit to PSBC Love Class of Self-Commitment



Happy families are all alike while unhappy families are unhappy in their own ways. Those impoverished families could hardly make ends meet owing to their family members suffering from serious illness or barren land due to drought for consecutive years, let alone pay for their children's education. However, these children, in face of such adverse living conditions, never yielded to the hardships but fought for their dreams.

After acknowledging that students from PSBC Love Class of Self-Commitment were thirsty for encouragement and guidance in addition to material support, we arranged exchange and communication with students via classroom communication, Q&A and games with an aim to assist them in dreaming big and staying firm in faith.

PSBC is dedicated to sharing love and everyone contributes to that. We took practical actions to show our carings about these children, which might be minor efforts but sowed the seeds of hope. It is believed that with continuous attention and care from PSBC Love Charity, they will have less burden and bear more persistence in mind on the path to their dreams. We will continue to pass the love, courage and faith to more students in poverty so that they can dream and chase their dreams!

— Employees participating in charity visits to PSBC Love Class of Self-Commitment



Case Study

PSBC Love Charity in action

Nanping Branch in Fujian launched a low-carbon activity celebrating the First Anniversary of PSBC Love Charity. At the opening ceremony, participants wore the logo of PSBC Love Charity and popularized PSBC Charity Day and PSBC Love Charitable Foundation by fast walking or riding along the streets to involve more people in their charitable activities. In the meanwhile, more than 500 employees of the Branch used the WeChat sports function and donated their number of steps in the Charity Hiker activity. In 2018, Nanping Branch donated a total of RMB76,000.

“Share our love and brighten the future of the children”. The PSBC Love Charity-themed publicity activities sowed the “Seeds of Love and Goodness” in PSBC. Qingdao Branch vigorously raised donations for students with financial difficulties to complete their education through the PSBC Love Charitable Foundation, collecting tens of thousands of yuan via Tencent Charity.



PSBC Love Charity visit to Qinghai in 2018



Huainan Branch in Anhui provides free iced drinks to street cleaners



“Little Banker” Activity Hosted by Beijing Branch

Case Study PSBC Consumer Finance, A Walking Blackboard

PSBC Consumer Finance Co., Ltd., a holding subsidiary of the Bank, initiated “PSBC Consumer Finance, A Walking Blackboard”, a program on poverty alleviation via education. It aims to improve the all-round education for primary and secondary students and the capability of rural teachers.

“Sending volunteers”: 12 teachers volunteered to teach at Langsailing Complete Primary School in Zha’nang County of Tibet. They have given rich and varied classes to local students and delivered support and love to poverty-stricken families through follow-up visits.

“Coming out”: 28 outstanding teachers and student representatives from six primary schools in Zha’nang County were invited to visit primary schools in Guangzhou for learning exchanges as well as curriculum seminars and other activities.

This event opened a “window of love and knowledge” for children and rural teachers in Tibet, passing on the warmth and strength for moving ahead.



“PSBC Consumer Finance, A Walking Blackboard”, Poverty Alleviation via education in Tibet

THIRD-PARTY ASSURANCE

2019/ SH-0274
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Independent practitioner’s assurance report

To the Board of Directors of Postal Savings Bank of China Corporation Limited

We have been engaged to perform a limited assurance engagement on the selected 2018 key data in the 2018 Corporate Social Responsibility Report (“CSR report”) of Postal Savings Bank of China Corporation Limited (“the Bank”).

Key Data

We carried out limited assurance procedures on the following key data of the Bank’s 2018 CSR report:

- Balance of inclusive financial loans to small and micro businesses
- Balance of agriculture-related loans
- Balance of green loans (energy saving and environmental protection projects and services loans)
- Total number of employees
- Proportion of ethnic minority employees
- Labour contract signing rate
- Male to female ratio of middle and senior managers
- Public welfare donations
- Number of outlets
- Number of outlets at county level and below
- Purchased electricity power consumption of the Head Office
- Daily water consumption of the Head Office
- E-channel transaction ratio

Our assurance was with respect to the selected key data of the 2018 CSR report only and we have not performed any procedures with respect to any other elements included in the 2018 CSR report or information in 2017 and earlier periods.

Criteria

The criteria for the preparation of the key data in the Bank’s 2018 CSR report are listed in the basis of reporting of the key data (the “basis of reporting”) following this assurance report.

Responsibilities of the Board of Directors

The Board of Directors of the Bank is responsible for the preparation of the selected key data in the 2018 CSR report. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the selected key data in the 2018 CSR report that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner’s Responsibilities

It is our responsibility to express a conclusion on the key data in the 2018 CSR report based on our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information”. This standard requires that we plan and perform our work to form the conclusion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on any matter that would materially affect the key data in the 2018 CSR report. Our work involves assessing the risks of material misstatement in key data in the 2018 CSR report whether due to fraud or error, and responding to the assessed risks. The extent of procedures selected depends on our judgment and assessment of the engagement risk. Within the scope of our work, we have only performed the following procedures in the Head Office and Beijing Branch of the Bank. We did not perform assurance work in other branches. The procedures we performed comprised:

- 1) Interviews with management and personnel in the departments involved in providing information in relation to the selected key data for inclusion in the CSR report;
- 2) Analytical procedures;
- 3) Sampling of selected key data in the CSR report;
- 4) Recalculation;
- 5) Other procedures deemed necessary.

Inherent Limitation

We remind the users to note that, the absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the selected key data in the 2018 CSR report are not prepared, in all material respects, in accordance with the basis of reporting.

Restriction on Use

Our report has been prepared for and only for the board of directors of the Bank and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

PricewaterhouseCoopers Zhong Tian LLP

Shanghai, China

April 25, 2019

Appendix: Basis of Reporting of Key Data

Balance of inclusive financial loans to small and micro businesses: The term disclosed herein refers to small & micro business loan balances calculated based on the criteria determined by China Banking and Insurance Regulatory Commission, namely the balance of small and micro businesses loans with an individual credit value totalling RMB10 million or less, including the inclusive financial loan balances of small & micro enterprise legal person, inclusive financial operating loan balances of individual businesses and small & micro business owners. The enterprises are categorized according to the Standard for the Classification of Small and Medium-size Enterprises (Ministry of Industry and Information Technology).

Balance of agriculture-related loans: The term disclosed herein refers to the balances of various agriculture-related loans calculated based on regulatory criteria, including the balances of farmers' loans, balances of rural business & various organization loans, balances of urban business & various organization agriculture-related loans and balances of non-farming personal loans for agriculture, forestry, animal husbandry & fishery. "Farmers' loans" refers to all the loans issued by the reporting agencies to the farmers. "Urban business & various organization agriculture-related loans" refers to loans issued by the reporting agencies to the enterprises and organizations registered in urban areas and engaged in agriculture, forestry, animal husbandry and fishery activities, and loans for supporting agriculture and rural development. "Agriculture, forestry, animal husbandry & fishery loans" refers to loans granted by reporting agencies to various lending entities engaged in activities in category A (agriculture, forestry, animal husbandry and fishery) (see Statistical Indicators Manual of PSBC (2015)).

Balance of green loans (energy saving and environmental protection projects and services loans): The term disclosed herein refers to the loan balances of environmental protection projects and services, including 12 types, namely green agricultural development projects, green forestry development projects, industrial energy-saving, water-saving and environmental protection projects, nature conservation, ecological restoration and disaster prevention and control projects, resource-recycling projects, waste treatment and prevention projects, renewable and clean energy projects, urban and rural water projects, energy-saving and green architecture projects, green traffic projects, energy-saving and environmental protection projects, and overseas projects with international practices or standards.

Total number of employees: The term disclosed herein refers to the total number of employees, including contract workers, dispatched workers and rehired employees after retirement.

Proportion of ethnic minority employees: The term disclosed herein refers to the proportion of ethnic minority employees in the total number of employees.

Labour contract signing rate: The term disclosed herein refers to the ratio of the number of employees signing labour contracts to the total number of employees.

Male to female ratio of middle and senior managers: The term disclosed herein refers to the ratio of male and female employees in middle and senior management which include the following:

Leaders of the head office: directors, supervisors and senior management staff (excluding employee supervisors);

Head of departments of the head office: General Managers (Vice Chairman, Directors), Deputy General Managers (Vice Directors), and Assistant General Managers (Assistants to Directors);

Leaders of tier-one branches: senior managers, president, secretary of the party committee, Vice President, Party Committee Members, Secretary of Party Discipline Committee, Chairman of Labour Union, Chief Auditor, President's Assistant.

Public welfare donations: The term disclosed herein refers to the public welfare donations stipulated in the "Law of the People's Republic of China on Donations for Public Welfare", donated through public welfare social organizations or the people's governments at or above the county level and their departments, public welfare non-profit public institutions, etc.

Number of outlets: The term disclosed herein refers to the total number of domestic outlets (excluding Hong Kong, Macao, Taiwan, and overseas branches).

Number of outlets at county level and below: The term disclosed herein refers to the total number of outlets at or below the county level. The county outlets refer to the outlets located in a county as identified by the national administrative divisions or located inside the city of a government at the same level as a county, including outlets located inside county-level cities, counties, autonomous counties, banners, autonomous banners, administrative zones and forests identified as at the same level as a county based on national administrative divisions. Outlets below the county level mean outlets located outside of a county as identified by national administrative divisions or outside the city of a government at the same level as a county, or outlets in jurisdictions of basic administrative unit below the county level, including towns, villages, Sumu, Ethnic Township, and Ethnic Sumu.

Purchased electricity power consumption of the Head Office: The term disclosed herein refers to total electricity power consumption of the head office area of the Bank in Beijing, including the purchased electricity power consumption of Jinding Building office area, Xinsheng Building office area, Dacheng Building office area, Fengtai No.72 Building office Area, the office area of Advanced Business Park in Beijing, Yongfeng office area, Yizhuang office area and Orient Asset Mansion office area.

Daily water consumption of the Head Office: The term disclosed herein refers to total water consumption of the head office area of the Bank in Beijing, including the daily water consumption of Jinding Building office area, Dacheng Building office area, Fengtai No.72 Building office area, the office area of Advanced Business Park in Beijing, Yongfeng office area, Yizhuang office area and Orient Asset Mansion office area.

E-channel transaction ratio: The term disclosed herein refers to the number of e-banking transactions divided by the sum of the number of e-banking transactions and the number of counter transactions of the Bank.

Index of Indicators

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	102-6 Markets served	About Us
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	102-8 Information on employees and other workers	Highlights in 2018
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	102-10 Significant changes to the organization and its supply chain	Advocating Green Operations
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	102-12 External initiatives	About This Report
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	102-15 Key impacts, risks and opportunities	Message from the Board of Directors and Senior Management
Ethics and Integrity	102-16 Values, principles, standards and norms of behavior	Responsible Management
	102-17 Mechanisms for advice and concerns about ethics	Responsible Management
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	102-19 Delegating authority	Corporate Governance
	102-20 Executive-level responsibilities for economic, environmental, and social topics	Corporate Governance
	102-21 Consulting stakeholders on economic, environmental and social topics	Responsible Management
	102-22 Composition of the highest governance body and its committees	Corporate Governance
	102-23 Chairman of the highest governance body	Refer to the annual report
	102-24 Nominating and selecting the highest governance body	Refer to the annual report
	102-25 Conflicts of interest	Refer to the annual report
	102-26 Role of highest governance body in setting purpose, values and strategy	Corporate Governance
	102-27 Collective knowledge of highest governance body	Message from the Board of Directors and Senior Management, Responsible Management

Standard number and description		Note
Governance	102-28 Evaluating the highest governance body's performance	Refer to the annual report
	102-29 Identifying and managing economic, environmental and social impacts	Responsible Management
	102-30 Effectiveness of risk management processes	Risk Management
	102-31 Review of economic, environmental and social topics	Corporate Governance
	102-32 Highest governance body's role in sustainability reporting	Corporate Governance
	102-33 Communicating critical concerns	Responsible Management
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	102-35 Remuneration policies	Refer to the annual report
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	102-38 Annual total compensation ratio	Refer to the annual report
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Stakeholder Engagement	102-40 List of stakeholder groups	Responsible Management
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	102-42 Identifying and selecting stakeholders	Responsible Management
	102-43 Approach to stakeholder engagement	Responsible Management
	102-44 Key topics and concerns raised	Responsible Management
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	103-2 The management approach and its components	Responsible Management
	103-3 Evaluation of the management approach	
GRI 201: Economic Performance	Management Approach	Facilitator for Financial Inclusion and Economic Development
	201-1 Direct economic value generated and distributed	Highlights in 2018
	201-2 Financial implications and other risks and opportunities due to climate change	Builder of Low-Carbon, Eco-Friendly and Beautiful China
	201-3 Defined benefit plan obligations and other retirement plans	Refer to the annual report

Standard number and description		Note
	201-4 Financial assistance received from government	Refer to the annual report
GRI 202: Market Presence	Management Approach	
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	
	202-2 Proportion of senior management hired from the local community	
GRI 203: Indirect Economic Impacts	Management Approach	Facilitator for Financial Inclusion and Economic Development
	203-1 Infrastructure investments and services supported	Facilitator for Financial Inclusion and Economic Development
	203-2 Significant indirect economic impacts	Facilitator for Financial Inclusion and Economic Development
GRI 204: Procurement impacts	Management Approach	Advocating Green Operations
	204-1 Proportion of spending on local suppliers	Advocating Green Operations
GRI 205: Anti-corruption	Management Approach	Strengthening Party Building, Risk Management
	205-1 Operations assessed for risks related to corruption	
	205-2 Communication and training about anti-corruption policies and procedures	Strengthening Party Building, Risk Management
	205-3 Confirmed incidents of corruption and actions taken	
GRI 206: Anti-competitive Behavior	Management Approach	N/A
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	N/A
GRI 301: Materials	Management Approach	N/A
	301-1 Materials used by weight or volume	N/A
	301-2 Recycled input materials used	N/A
GRI 302: Energy	301-3 Reclaimed products and their packaging materials	N/A
	Management Approach	Builder of Low-Carbon, Eco-Friendly and Beautiful China
	302-1 Energy consumption within the organization	Environmental Performance Indicators in 2018
	302-2 Energy consumption outside of the organization	
	302-3 Energy intensity	Environmental Performance Indicators in 2018
	302-4 Reduction of energy consumption	Environmental Performance Indicators in 2018
GRI 303: Water	302-5 Reduction of energy requirements of products and services	
	Management Approach	Advocating Green Operations
	303-1 Water withdrawal by source	N/A
	303-2 Water sources significantly affected by withdrawal of water	N/A
GRI 304: Biodiversity	303-3 Water recycled and reused	
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Standard number and description		Note
GRI 304: Biodiversity	For each operational site owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
	304-2 Significant impacts of activities, products and services on biodiversity	
	304-3 Habitats protected or restored	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	
GRI 305: Emissions	Management Approach	Builder of Low-Carbon, Eco-Friendly and Beautiful China
	305-1 Direct (Scope 1) greenhouse gas emissions	Environmental Performance Indicators in 2018
	305-2 Energy Indirect (Scope 2) greenhouse gas emissions	Environmental Performance Indicators in 2018
	305-3 Other indirect (Scope 3) greenhouse gas emissions	
	305-4 Greenhouse gas emission intensity	Environmental Performance Indicators in 2018
	305-5 Reduction of greenhouse gas emission	
	305-6 Emissions of ozone-depleting substances (ODS)	N/A
GRI 306: Effluents and Waste	Management Approach	Builder of Low-Carbon, Eco-Friendly and Beautiful China
	306-1 Water drainage by quality and destination	N/A
	306-2 Waste by type and disposal method	Environmental Performance Indicators in 2018
	306-3 Significant spills	N/A
	306-4 Transport of hazardous waste	N/A
	306-5 Water bodies affected by water drainage and/or runoff	N/A
GRI 307: Environmental Compliance	Management Approach	
	307-1 Non-compliance with environmental laws and regulations	
GRI 308: Supplier Environmental Assessment	Management Approach	Advocating Green Operations
	308-1 New suppliers that were screened using environmental criteria	
	308-2 Negative environment impacts in the supply chain on and actions taken	
GRI 401: Employment	Management Approach	Growing Together with Employees
	401-1 New employee hires and employee turnover	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Growing Together with Employees
	401-3 Parental leave	Growing Together with Employees
GRI 402: Labor/Management Relations	Management Approach	
	402-1 Minimum notice periods regarding operational changes	

Standard number and description		Note
GRI 403: Occupational Health and Safety	Management Approach	Caring for employees' physical and mental health
	403-1 Workers representation in formal joint management worker health and safety committees	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	
	403-3 Workers with high incidence or high risk of diseases related to their occupation	N/A
	403-4 Health and safety topics covered in formal agreements with trade unions	
GRI 404: Training and Education	Management Approach	Strengthening vocational training for employees
	404-1 Average hours of training per year per employee	
	404-2 Programs for upgrading employee skills and transition assistance programs	Growing Together with Employees
	404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 405: Diversity and Equal Opportunity	Management Approach	Responsible Management, Growing Together with Employees
	405-1 Diversity of governance bodies and employees	Growing Together with Employees
	405-2 Ratio of basic salaries and remuneration of women to men	
GRI 406: Nondiscrimination	Management Approach	Protecting the legitimate rights and interests of employees
	406-1 Incidents of discrimination and corrective actions taken	N/A
GRI 407: Freedom of Association and Collective Bargaining	Management Approach	
GRI 408: Child Labor	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
	Management Approach	Protecting the legitimate rights and interests of employees
GRI 409: Forced or Compulsory Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	
	Management Approach	Protecting the legitimate rights and interests of employees
GRI 410: Security Practices	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	N/A
	Management Approach	Caring for employees' physical and mental health
GRI 411: Rights of Indigenous Peoples	410-1 Security personnel trained in human rights policies or procedures	
	Management Approach	N/A
GRI 412: Human Rights Assessment	411-1 Incidents of violations involving rights of indigenous peoples	N/A
	Management Approach	Protecting the legitimate rights and interests of employees
	412-1 Operations that have been subject to human rights reviews or impact assessments	
	412-2 Employee training on human rights policies or procedures	
GRI 413: Local Communities	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	
	Management Approach	Commitment to Public Charities
	413-1 Operations with local community engagement, impact assessments, and development programs	
	413-2 Operations with significant actual and potential negative impacts on local communities	N/A

Standard number and description		Note
GRI 414: Supplier Social Assessment	Management Approach	Advocating Green Operations
	414-1 New suppliers that were screened using social criteria	Advocating Green Operations
	414-2 Negative social impacts in the supply chain and actions taken	
GRI 415: Public Policy	Management Approach	N/A
	415-1 Political contributions	N/A
GRI 416: Customer Health and Safety	Management Approach	Strengthening Consumer Rights Protection
	416-1 Assessment of the health and safety impacts of product and service categories	Strengthening Consumer Rights Protection
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	N/A
GRI 417: Marketing and Labeling	Management Approach	Strengthening Consumer Rights Protection
	417-1 Requirements for product and service information and labeling	
	417-2 Incidents of non-compliance concerning product and service information and labeling	
	417-3 Incidents of non-compliance concerning marketing communications	
GRI 418: Customer Privacy	Management Approach	Strengthening Consumer Rights Protection
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	
GRI 419: Socioeconomic Compliance	Management Approach	Risk Management
	419-1 Non-compliance with laws and regulations in the social and economic area	

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Environmental	Indicator S/N	Indicator Content	Note
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Advocating Green Operations
	A1.1	The types of emissions and respective emissions data.	Environmental Performance Indicators in 2018
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity. (e.g. per unit of production volume, per facility).	Environmental Performance Indicators in 2018
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity. (e.g. per unit of production volume, per facility).	Environmental Performance Indicators in 2018
	A1.4	Total non-hazardous waste produced (in tonne) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Environmental Performance Indicators in 2018
	A1.5	Description of measures to mitigate emissions and results achieved.	Advocating Green Operations
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Advocating Green Operations

Environmental	Indicator S/N	Indicator Content	Note
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Advocating Green Operations
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity. (e.g. per unit of production volume, per facility).	Environmental Performance Indicators in 2018
	A2.2	Water consumption in total and intensity. (e.g. per unit of production volume, per facility).	Environmental Performance Indicators in 2018
	A2.3	Description of energy use efficiency initiatives and results achieved.	Advocating Green Operations
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Advocating Green Operations
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A
Aspect A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Taking Green Actions
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Developing Green Finance

Social	S/N	Content	Note
Aspect 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.	Growing Together with Employees
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Highlights in 2018
	B1.2	Employee turnover rate by gender, age group and geographical region.	
Aspect 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.	Growing Together with Employees
	B2.1	Number and rate of work-related fatalities.	
	B2.2	Lost days due to work injury.	
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Growing Together with Employees
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Growing Together with Employees
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	
	B3.2	The average training hours completed per employee by gender and employee category.	
Aspect B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Growing Together with Employees
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Growing Together with Employees
	B4.2	Description of steps taken to eliminate such practices when discovered.	N/A

Social	S/N	Content	Note
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Advocating Green Operations
	B5.1	Number of suppliers by geographical region.	
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Advocating Green Operations
Aspect B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Enhancing Customer Experience
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A
	B6.2	Number of products and service related complaints received and how they are dealt with.	Enhancing Customer Experience
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Risk Management
	B6.4	Description of quality assurance process and recall procedures.	N/A
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Enhancing Customer Experience
Aspect 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.	Risk Management
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Risk Management
Aspect B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Facilitator for Financial Inclusion and Economic Development, Commitment to Public Charities
	B8.1	Focus areas of contribution (e.g. education, environment concerns, labour needs, health, culture, sport).	Commitment to Public Charities
	B8.2	Resources contributed (e.g. money or time) to the focus area.	Commitment to Public Charities, Highlights in 2018

Feedback Form

Dear Readers:

Thank you for reading the 2018 Social Responsibility (Environmental, Social, Governance) Report of Postal Savings Bank of China. In order to further improve our work and to provide more valuable information to you and other partners, as well as to continuously enhance our ability and improve our performance in fulfilling social responsibilities, please provide your opinions and suggestions regarding this report:

- Please identify yourself with one of the following options:

☐ Government ☐ Regulatory authorities ☐ Shareholders and investors ☐ Customers
☐ Employees ☐ Suppliers and partners ☐ Public ☐ Media ☐ Others
- Does this report comprehensively and accurately reflect the significant impacts of Postal Savings Bank of China on the economy, society and environment?

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor
- Does this report fully respond to and disclose issues of interest to stakeholders?

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor
- Is this report clear, accurate and complete in the information, indicators and data disclosed?

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor
- What about the readability of this report - logical flow, content design, expressions, and layout design?

☐ Very good ☐ Good ☐ Fair ☐ Poor ☐ Very poor
- Which aspect(s) of this report satisfies you the most?
- What are your suggestions for our social responsibility reports in the future?

Thank you again for your support. You may send this feedback form to us via:

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