







2022

Environmental Information Disclosure (TCFD) Report

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As stated in the report to the 20th CPC National Congress, "Chinese modernization is the modernization of harmony between humanity and nature" and "we must uphold and act on the principle that lucid waters and lush mountains are invaluable assets, and we must remember to maintain harmony between humanity and nature when planning our development." Progress toward ecological civilization and development of green industries depend on the support of green finance. The development of green finance has become an inevitable requirement to implement the strategic planning for ecological civilization and practice the concept of green development. As an important vehicle for developing green finance, banks can promote the green transition of industrial structure, spatial structure, energy mix, and consumption patterns by directing the flow of funds, facilitate the prevention and control of environmental pollution, and improve the diversity, stability and sustainability of the ecosystem. At the same time, they could get actively involved in the process of peaking carbon emissions and achieving carbon neutrality (dual carbon goals) through a two-pronged approach, that is, daily operation and green finance. At present, China attaches growing importance to ecological protection, and the Chinese people are increasingly involved in the process of achieving "dual carbon goals". As a result, green finance is flourishing in China.

In the face of new strategic development opportunities, the Bank acts on the new development philosophy, takes the mission of high–quality development, implements national strategies, and advances reform and innovation on all fronts. Focused on the "five plus one" strategy for transformation and development, it works harder to build major capabilities in six areas, implements the proposition of "green world, better life", and is firmly committed to fulfilling its social responsibilities as a major state–owned bank in China. With nearly 40,000 outlets and services covering over 650 million personal customers, the Bank focuses on providing financial services to customers in the field of agriculture, rural areas, and farmers (hereinafter referred to as "Sannong"), urban and rural residents, and small and medium enterprises (SMEs). Relying on its unique model and resource endowment featuring directly–operated outlets and agency outlets, it is committed to meeting the financial needs of the most promising customers during China's economic transformation. To date, the Bank has been engaged in inclusive finance for a long period of time. Since its establishment 16 years ago, the Bank has been playing an increasingly important role in the market with marked influence. It has been rated A+ and A1 this year by Fitch Ratings and Moody's Investors Service, respectively, which are the same as China's sovereign credit ratings. It has been rated A, AAAspc, and AAA with a stable outlook by S&P Global Ratings, S&P Global (China) Ratings, and China Chengxin International Credit Rating Co., Ltd. (CCXI). In 2022, it ranked 13th in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital.

In 2022, the Bank thoroughly implemented major decisions and plans of the CPC Central Committee and the State Council, while making active and steady progress towards the "dual carbon" goals, strengthening environmental, social, and corporate governance (ESG) and climate risk management, and continuing to build a green and inclusive bank, climate–friendly bank, and eco–friendly bank in terms of corporate governance, policy formulation, incentive mechanism, product innovation, risk management, financial technology (fintech), capacity building, and green operation. As of the end of the reporting period, the Bank's green loan balance was RMB496,549 million, an increase of 33.38% from the end of the previous year. The Bank was awarded "Advanced Unit in Green Bank Evaluation" by the China Banking Association again and was assigned an A by MSCI ESG Ratings for the second year straight. In the "2022 Asia (ex–Japan) Executive Team" organized by the magazine Institutional Investor, the Bank won "Best ESG" in the sector of banks and non–bank finance in Asia.

Optimizing top-level design and strengthening strategic leadership. With the Board of Directors assuming the main responsibility for green finance, the Bank has incorporated realizing the "dual carbon" goals and building a green bank into its medium-and long-term development strategy and the outline for the 14th Five-Year Plan, proposing to actively support the development of green, low-carbon, and circular economy and to help build a beautiful China. The Senior Management is responsible for formulating and implementing the "Dual Carbon" Action Plan and proposed the goal of building a leading green and inclusive bank, climate-friendly bank, and eco-friendly bank. The Head Office, branches, and subsidiaries have set up the "Dual Carbon"/Green Finance Steering Group to make overall planning and advance related work.

Shoring up product innovation in support of green development. Adhering to its strategic positioning and taking advantage of its fund and network advantages, the Bank launched a number of products in key fields of pollution prevention and control, energy conservation and environmental protection, eco-agriculture, etc. to promote the integrated development of green finance and inclusive finance. Some examples of these products included micro loans for photovoltaic (PV) solar power generation equipment, small hydropower loans, pollutant discharge loans, garbage charging rights-pledged loans, future income rights-pledged loans for contracted energy management projects, speedy loans, and easy small and micro loans. Besides, there were some innovative products, such as "bamboo forest carbon sink loans", "ecological non-commercial forest compensation income rights-pledged loans", and "Two Mountain Loan". In terms of concrete practice, the Bank landed a number of sustainability-linked financial service deals, innovated the discount product "Green G Discount", issued the "STOXX PSBC China A ESG Index" on Deutsche Börse, and underwrote the first "sustainability-linked and energy supply" debt financing plan in China. It was awarded the "2022 Best Practice Case for ESG of A-share Listed Companies" by China Association for Public Companies and "model case of carbon peaking and carbon neutrality action in 2022" by China Business Executives Academy in Dalian, an arm of the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council.

Being prepared for worst-case scenarios to strengthen ESG risk management. The Bank formulated the *Environmental, Social, and Governance Risk Management Measures of Postal Savings Bank of China* to include ESG requirements in the entire credit management process. It took the lead to cooperate with the Institute of Public and Environmental Affairs (IPE) and integrate the environmental data of the Blue Map Database into its "Jinjing" (Golden Eye) credit risk monitoring system. Meanwhile, the "Green Credit Service Based on Big Data Technology" project of the Bank was included in the pilot program for comprehensive use of financial data carried out by the Operation Management Department of the People's Bank of China (PBOC), committed to promoting the digital transition of environmental and climate risk management. Besides, the Bank conducted climate risk sensitivity stress tests as well as special ESG and climate risk screenings, and launched two functions, that is, automatic identification of green labels and measurement of energy saved and emission reduced.

Expanding cooperation and exchange to enhance professional capabilities. The Bank actively attended seminars and exchanges organized by the Ministry of Ecology and Environment of PRC, the PBOC, the National Administration of Financial Regulation (NAFR, former CBIRC), the China Banking Association, universities and research institutions, etc.; signed the Strategic Cooperation Agreement on Supporting the Development of National Carbon Market, the Common Declaration of Banking Financial Institutions Supporting Biodiversity Conservation, and the Joint Action Plan for Banking Financial Institutions to Support Biodiversity Conservation; published the monograph titled "Research on Climate Financing for Commercial Banks" and compiled the report "Research on Low Carbon Transition Path for Commercial Banks under the Carbon Neutral Goal"; and conducted professional cooperation with strategic investor International Finance Corporation (IFC) to learn from the wisdom and experience of world–leading green finance institutions.

Deepening green operations to perform better. The Bank carried out a greenhouse gas (GHG) emissions accounting project to understand the current carbon emissions baseline and the gap with it, a prerequisite for developing a targeted carbon reduction plan. Moves were taken to promote energy conservation, emission reduction, and green transformation, with the heads of 36 tier–1 branches and subsidiaries signing a responsibility statement on ecological and environmental protection. To implement the concept of green development, the initiative of "Green Office, Low–carbon Lifestyle" was launched to ensure everyone at the Bank could be conscious of taking action to save energy and cut emissions. A total of 24 green financial institutions were inaugurated, including carbon–neutral sub–branches, green sub–branches, and green finance centers.

Improving information disclosure in line with international standards. While fully disclosing its ESG performance through annual reports, interim reports, corporate social responsibility (ESG) reports, business result presentations and road shows, and other activities, the Bank also took the initiative to get aligned with international standards, adopted the Principles for Responsible Banking (PRB), joined the United Nations Environment Programme Finance Initiative (UNEP FI), became a supporting organization of the Task Force on Climate—related Financial Disclosures (TCFD), and joined the Sustainable Blue Economy Finance Initiative of the UN, becoming the first among major state—owned commercial bank in China to do so.

Looking into the future, the Bank will continue to practice the concept of green development, actively explore the just transformation of finance, take responsible and firm steps to guard the "lucid waters and lush mountains" with financial power, make life better with its green products and services, and create a "green" paradigm of harmonious coexistence between human beings and nature, thus making greater contributions to the realization of the "dual carbon (carbon peaking and carbon neutrality)" goals.







2017

- 1 Susued the Green Credit Development Plan of Postal Savings Bank of China.
- 2 The Head Office and branches set up steering groups for green bank development.
- Conducted the first investigation of environment-related risks in credit business.

2018

2019

- 1 Formulated the Outline of the Medium and Long-term Development Strategy of Postal Savings Bank of China (2019–2025), which clearly stipulates "adhering to the concept of green development, actively developing green finance, going all out to support green, low-carbon, and circular economy, and helping to build a beautiful China".
- 2 Susued the Green Procurement Implementation Measures of Postal Savings Bank of China.
- Completed the research on "Development and Improvement of Green Loan Statistics", which was included by the PBOC in the 2019 comprehensive statistical research projects for the financial industry.
- Got the title of the "Advanced Unit in Overall Evaluation of Green Bank Development" from China Banking Association.

2020

- Issued the Three-Year Plan for Strengthening Green
 Bank Development of Postal Savings Bank of China.
- 2 Social Risks of Postal Savings Bank of China.
- 3 Issued the Guiding Opinion of Postal Savings Bank of China on Making Decisive Progress in the Critical Battle Against Pollution and Developing Green Finance.
- 4 Issued the Notice on Carrying out Green Office–Related Work by Departments in the Head Office.
- 5 Awarded the "Advanced Unit in Green Bank Evaluation" by China Banking Association.

Issued the Social Responsibility Guidelines of Postal

- Savings Bank of China Co., Ltd.
- Inaugurated PSBC Qujiang Green Sub-Branch in Quzhou City and PSBC Huadu Sub-Branch in Guangzhou Pilot Zone for Green Finance Reform and Innovation.
- ♦ The Hefei Data Center was rated as one of the 2020 National Green Data Centers by six ministries and commissions including the Ministry of Industry and Information Technology (MIIT), the National Development and Reform Commission (NDRC), the Ministry of Commerce, the National Government Offices Administration, the National Administration of Financial Regulation (NAFR, former CBIRC), and the National Energy Administration.
- The Bank signed with the Huzhou Municipal Government the Cooperation Framework Agreement on Supporting the High-level Construction of A National Pilot Zone for Green Finance Reform and Innovation in Huzhou City.

2021

- 1 Put forward the proposition "green world, better life".
- Formulated the Outline for the 14th Five—Year Plan of Postal Savings Bank of China, with green finance listed as one of the four major areas of development across the Bank,
- Issued the Comprehensive Financial Services Program to Help Realize the Goal of Peaking Carbon Emissions and Achieve Carbon Neutrality of Postal Savings Bank of China.
- 4 Established PSBC Huzhou Branch as a demonstration bank for the pilot area of green finance reform and innovation at the Head Office level
- 6 Signed the Joint Declaration of Banking Sector to Support Biodiversity Conservation.
- 7 Signed a strategic cooperation agreement with the National Carbon Emissions Permit Registry and joined the Carbon Neutral Action Alliance as an executive member.
- 8 Adopted the Principles for Responsible Banking (PRB) and joined the United Nations Environment Programme Finance Initiative (UNEP FI).
- 9 Became a supporting organization of the Task Force on Climate-related Financial Disclosures (TCFD).
- 10 o Got the title of "Advanced Unit in Evaluation of Green Bank Development" from China Banking Association.
- 11 A Rated "A" by MSCI ESG Ratings for the first time.

2022

- Issued the Action Plan to Realize the Goal of Peaking Carbon Emissions and Achieving Carbon Neutrality of Postal Savings Bank of China.
- 2 Susued the Measures for Managing Environmental, Social and Governance Risks of Postal Savings Bank of
- 3 Salar Services for Small Businesses of Postal Savings Bank of China.
- 4 or Issued the Notice on Further Promoting the Development of Green Finance in the Sannong Finance Line.
- 5 🌼 Internal units at different levels set up their "Dual Carbon" /Green Finance Steering Group.
- 6 \(\phi\) Launched the "Green Office, Low-carbon Lifestyle" initiative across the Bank.
- 8 Signed the Common Action Plan for Banking Sector to Support Biodiversity Conservation.
- 9 A Rated "A" by MSCI ESG Ratings for the second year in a row.







The Bank continued to improve the green finance governance structure and integrated environment-related strategies into its governance framework. The Head Office, branches, and subsidiaries set up the "Dual Carbon"/Green Finance Steering Group to form a multi-layered work mechanism.



BOARD OF DIRECTORS

The Board of Directors attaches great importance to the work related to green finance. Assuming the main responsibility for green finance, it coordinates the formulation of strategic plans related to green finance and ESG, continuously monitors and evaluates how such strategies are implemented, promotes the implementation of the "dual carbon" national strategy across the Bank, and makes strides in building a first-class green inclusive bank, climate-friendly bank, and eco-friendly bank.

During the reporting period, directors were active in attending training on topics such as green finance, sustainable development, carbon pricing, and corporate governance of commercial banks, and put forward many professional suggestions in a wide range of fields such as the green transformation of the Chinese economy, global cooperation in green finance, financial consumer protection, sustainable development and ESG progress, and serving the real economy by commercial banks.

BOARD OF DIRECTORS

STRATEGIC PLANNING COMMITTEE

The committee is mainly responsible for deliberating on the bank-wide strategic development plans for green finance, ESG, etc., regularly evaluating relevant strategic plans in light of economic and financial landscapes at home and abroad and changes in market conditions, and proposing adjustments to the Board of Directors. During the reporting period, it reviewed and approved the report on the evaluation of the implementation of the Outline for the 14th Five-Year Plan of Postal Savings Bank of China in 2021, while carefully evaluating the implementation of the green finance strategy to ensure the effective promotion of the strategy.

RISK MANAGEMENT COMMITTEE

The committee is mainly responsible for reviewing and revising the risk management strategy, basic policies, risk appetite, comprehensive risk management structure, and important risk management procedures and systems for ESG and other risks, and establishing a risk reporting mechanism fit for ESG and other risks in accordance with the overall plans for strategic development. During the reporting period, it reviewed and approved the annual risk management strategy and risk appetite plan, which proposed "strengthening the management of ESG risk and climate risk"; incorporated ESG and climate risks into the comprehensive risk management system; and reviewed the comprehensive risk management reports on a quarterly basis to strengthen the management of ESG and climate risks.

SOCIAL RESPONSIBILITY **AND CONSUMER RIGHTS PROTECTION COMMITTEE**

The committee is mainly responsible for formulating strategies, policies, and objectives related to green finance and ESG that are suitable for the Bank's development strategies and actual conditions, and submitting them to the Board of Directors for approval and implementation; supervising, inspecting, and evaluating the implementation and effectiveness of relevant strategies, policies, objectives, and basic management systems and making recommendations to the Board of Directors; During the reporting period, it reviewed and approved the annual CSR (ESG) report and the work report on green bank development, and listened to the report on the peer benchmarking in terms of ESG rating, thus promoting the Bank to actively fulfill its CSRs, accelerate the building of a green bank, and strengthen ESG governance.

CONSIDERATION OF GREEN FINANCE-RELATED ISSUES BY THE BOARD OF DIRECTORS AND ITS SPECIAL COMMITTEES DURING THE REPORTING PERIOD

DATE	MATTERS DISCUSSED AT THE MEETING
March 23, 2022, March 30, 2022	The First Meeting of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors in 2022 and the Third Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the Corporate Social Responsibility (Environmental, Social, and Governance) Report 2021 of Postal Savings Bank of China.
March 24, 2022, March 30, 2022	The Second Meeting of the Risk Management Committee of the Board of Directors in 2022 and the Third Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the 2022 Risk Management Strategy and Risk Appetite Plan of Postal Savings Bank of China and the proposal on the 2021 Comprehensive Risk Management Report of Postal Savings Bank of China.
March 28, 2022, March 30, 2022	The Second Meeting of the Audit Committee of the Board of Directors in 2022 reviewed and approved the proposal on the Financial Statements and Auditor's Report of Postal Savings Bank of China for the Year 2021. The Third Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the Annual Report, Summary, and Results Announcement of Postal Savings Bank of China for 2021.
April 29, 2022	The Second Meeting of the Strategic Planning Committee of the Board of Directors in 2022 and the Fifth Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the report concerning the evaluation of the implementation of the Outline for the 14th Five—Year Plan of Postal Savings Bank of China in 2021.
May 24, 2022, May 30, 2022	The Fourth Meeting of the Risk Management Committee of the Board of Directors in 2022 and the Sixth Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the Comprehensive Risk Management Report of Postal Savings Bank of China for the First Quarter of 2022.
May 26, 2022, May 30, 2022	The Second Meeting of the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors in 2022 reviewed and approved the proposal on the 2021 Work Report on Green Bank Development of Postal Savings Bank of China and listened to the report on the peer benchmarking in terms of MSCI ESG Ratings. The Sixth Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the 2021 Work Report on Green Bank Development of Postal Savings Bank of China.
August 12, 2022, August 22, 2022	The Fifth Meeting of the Risk Management Committee of the Board of Directors in 2022 and the Seventh Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the Comprehensive Risk Management Report of Postal Savings Bank of China for the First Half of 2022.
August 19, 2022, August 22, 2022	The Fourth Meeting of the Audit Committee of the Board of Directors in 2022 reviewed and approved the proposal on the 2022 Interim Financial Statements and Auditor's Report of Postal Savings Bank of China. The Seventh Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the Interim Report, Summary, and Results Announcement of Postal Savings Bank of China for 2022.
December 22, 2022, December 28, 2022	The Seventh Meeting of the Risk Management Committee of the Board of Directors in 2022 and the Tenth Meeting of the Board of Directors in 2022 reviewed and approved the proposal on the Comprehensive Risk Management Report of Postal Savings Bank of China for the Third Quarter of 2022.





COLUMN: ASSIGNED AN A BY MSCI ESG RATINGS FOR THE SECOND YEAR STRAIGHT AND WON "2022 BEST PRACTICE CASE FOR ESG OF A-SHARE LISTED COMPANIES" OF THE CHINA ASSOCIATION FOR PUBLIC COMPANIES

The Bank attaches great importance to ESG work. In terms of green and low–carbon development, the Bank upholds the concept of green development, supports the UN's 2030 Sustainable Development Goals (SDGs) and the Paris Agreement, adopts the Principles for Responsible Banking (PRB), and has become a supporting organization of the TCFD and joined the UN's Sustainable Blue Economy Finance Initiative. With respect to facilitating economic and social development, it has actively implemented national strategies, served Sannong, urban and rural residents, and SMEs in an innovative way, made every effort to build a first–tier large retail bank that is responsible, resilient, and caring, and played the due role of a large bank in serving the overall economic and social development. As to optimizing the corporate governance system, the Board of Directors, keenly aware of the importance of ESG development, has set up the dedicated Social Responsibility and Consumer Rights Protection Committee, promoted the integration of ESG–related work into the Bank's development strategy, governance structure, corporate culture, and business processes, and played a major role in the development of green finance, inclusive finance, rural revitalization, and consumer protection, among other aspects.



BOARD OF SUPERVISORS

In strict accordance with laws and regulations, regulatory requirements, and the Articles of Association of the Bank, the Board of Supervisors earnestly implements the decisions and plans of the CPC Central Committee, focuses on the central work of the Bank to effectively perform its supervisory duties, continuously improves the quality and efficiency of supervision, and vigorously safeguards the legitimate rights and interests of the Bank, shareholders, employees, creditors, and other stakeholders, thus providing solid guarantees for the high–quality development of the Bank.

During the reporting period, the Board of Supervisors continued to monitor how the Bank implemented the "dual carbon" national strategy and moved towards its strategic objectives of building a first–tier green and inclusive bank, climate–friendly bank, and eco–friendly bank, promoting the Bank to proactively integrate into and serve the formation of a new development pattern.

Convening meetings of the Board of Supervisors to enhance corporate governance.

Closely tracking the Bank's fulfillment of CSRs and development of green finance, the Board of Supervisors studied and considered a number of proposals and matters under supervision, such as the 2021 Corporate Social Responsibility (Environment, Social, Governance) Report of Postal Savings Bank of China and the 2021 Work Report on Green Bank Development of Postal Savings Bank of China to focus on the developments of green finance at the Bank and the problems identified thereof.

Enabling supervisors to better perform their duties and strengthening the capacity building of the Board of Supervisors.

During the reporting period, internal and external supervisors attended the Follow-up Training for Board Secretaries of A+H Share Companies/63rd Seminar on Enhancing Continued Professional Development for Corporate Governance Professionals organized by the Hong Kong Charted Governance Institute (HKCGI) as well as lectures on the latest revisions and practical guidelines of The Stock Exchange of Hong Kong on disclosing the social, environmental and governance reports, ESG disclosure and investor communication practices in the context of tightened global regulation, etc., which helped them deepen their understanding of national policies and regulatory requirements and boost their ability to perform duties.

Carrying out supervision initiatives and research programs to better act on the decisions and plans of the CPC Central Committee.

To effectively fulfill the supervisory duties, the Board of Supervisors conducted a study on PSBC's support for the "dual carbon" strategy to facilitate the transition and development of green finance across the Bank; and carried out a specific supervision initiative on the digital transformation of Sannong finance to effectively empower rural revitalization with FinTech.

SENIOR MANAGEMENT

The Senior Management is responsible for implementing various resolutions made by the Board of Directors, setting green finance targets, establishing mechanisms and processes, defining responsibilities and authority, carrying out internal supervision, inspection, assessment, and evaluation, briefing the Board of Directors on the development of green finance regularly, promoting the realization of "dual carbon" and green finance targets, and coordinating and promoting the development of green finance business across all Head Office departments, branches, and subsidiaries of the Bank.

CONSIDERATION OF GREEN FINANCE-RELATED ISSUES BY THE SENIOR MANAGEMENT DURING THE REPORTING PERIOD

DATE	TYPE OF MEETING	MATTERS DISCUSSED AT THE MEETING
January 2022	President's thematic meeting	Listened to the report on green bank development. Considered the Action Plan to Realize the Goal of Peaking Carbon Emissions and Achieving Carbon Neutrality of Postal Savings Bank of China and put forward specific requirements for the next-step work of green bank development.
April 2022	First meeting of the Dual Carbon/Green Finance Steering Group	 Communicated and studied the core messages delivered by a number of meetings and documents, such as the important speech made by General Secretary Xi Jinping at the 36th collective learning of the Political Bureau of CPC Central Committee, the 2022 Report on the Work of the Government, the plenary meeting of the Dual Carbon/Green Finance Steering Group, and the State Council's Notice on Issuing the Integrated Work Plan for Energy Conservation and Emission Reduction during the 14th Five—Year Plan Period. Considered the report on green bank development in 2021 (including the self—evaluation report on green credit development and the report on environmental and social performance) and the report on the peer benchmarking in terms of MSCI ESG Ratings, and discussed and made arrangements for the next phase of work.
September 2022	Second meeting of the Dual Carbon/Green Finance Steering Group	 Studied the core messages conveyed in relevant documents such as the Green Finance Guidelines for Banking and Insurance Industry, the Notice on Announcing the List of Pilot Institutions for Climate Investment and Financing and the Renewable Energy Development Program during the 14th Five—Year Plan Period. Considered the report on green bank development and the Work Plan for Climate Risk Stress Tests, and discussed and made arrangements for the next phase of work.

COLUMN: CHINA BANKING ASSOCIATION AWARDED THE BANK "ADVANCED UNIT IN GREEN BANK EVALUATION"

The Bank attaches great importance to and comprehensively promotes green bank building from a wide range of spheres such as corporate governance, policy formulation, incentive mechanism, product innovation, risk management, fintech, capacity building, and green operation. In the evaluation of green bank development organized by China Banking Association, PSBC ranked first in the list and was awarded "Advanced Unit in Green Bank Evaluation".



COLUMN: THE VOICE OF THE MANAGEMENT

Liu Jianjun, Deputy Secretary of the Party Committee and President of PSBC:Making sure the political and people-oriented nature of financial work in the pursuit of high-quality development

In December 2022, Liu Jianjun, Deputy Secretary of the Party Committee and President of the Bank, published in *China Finance* a signed article titled "Making Sure the Political and People–oriented Nature of Financial Work in the Pursuit of High–quality Development". The Bank makes learning, spreading, and acting on the core principles of the 20th CPC National Congress the primary political task for the current and future periods, takes such principles as an action guide for planning its future development, ensures the political and people–oriented nature of financial work in practice, plays the leading role of Party building, and acts as a responsible financial enterprise to underpin the high–quality development of the Chinese economy and society. While allowing the general public to benefit from the fruits of financial reform and development, it will take on a new look and write a new chapter along the new journey toward the building of a modern socialist country in every respect.

The article proposed ensuring the political and people—oriented nature of financial work from nine aspects. PSBC will earnestly implement the concept that lucid waters and lush mountains are invaluable assets, promote green bank building from a strategic height, vigorously develop



Liu Jianjun, Deputy Secretary of the Party Committee and President of Postal Savings Bank of China

sustainable finance, green finance, and climate financing, and support biodiversity conservation. Focusing on green and low–carbon development, the Bank will support a wide range of key areas such as clean energy, energy conservation and environmental protection, carbon emissions reduction technologies, and clean and efficient utilization of coal, in a bid to explore the development of transitional finance. Meanwhile, it will strengthen product and service innovation, develop a diversity of financial products and services such as green credit, green bonds, and carbon finance, explore mechanisms for realizing the value of ecological products, and develop and promote green and inclusive finance products, with a view to practicing the proposition of "green world, better life".

Chen Yuejun, Party Committee member and Chairman of the Board of Supervisors of PSBC: Applying systems thinking and promoting green finance in a coordinated way

Building a green bank is the intrinsic requirement for the Bank to apply the new development philosophy, implement the carbon peaking and carbon neutrality goals of the state and achieve high-quality development. In 2022, the Bank made good progress in building a green bank. It was rated as an "Advanced Unit in Green Bank Evaluation" by China Banking Association and awarded "A" in MSCI's ESG ratings, winning full recognition from both the regulators and the capital market. Chen Yuejun, Chairman of the Board of Supervisors, said that PSBC will continue to follow Xi Jinping Thought on Eco-Civilization, effectively perform its responsibilities as a major state-owned bank, apply systems thinking and practice the philosophy that "lucid waters and lush mountains are invaluable assets". From the aspects of corporate governance, technology empowerment, incentive and restraint, risk management and cooperation and exchanges, it will vigorously develop sustainable finance, green finance and climate financing, strive to build a first-class green inclusive bank, climate-friendly bank and eco-friendly bank, contribute to the realization of carbon peaking and carbon neutrality goals, and pursue high-quality development of the Bank.



Chen Yuejun, member of the Party Committee and Chairman of the Board of Supervisors of Postal Savings Bank of China

Yao Hong, Party Committee Member and Vice President of PSBC:Developing green finance to drive the green and low-carbon recovery

In September 2022, Yao Hong, Party Committee Member and Vice President of the Bank, attended the China International Finance Annual Forum 2022, the main forum for financial services of China International Fair for Trade in Services (CIFTS), and delivered a keynote speech titled "Developing Green Finance to Drive Green and Low-carbon Recovery". In her speech, Vice President Yao Hong said that PSBC will make comprehensive and continued progress toward the building of a green bank until finally becoming "carbon neutral". To this end, the Bank will actively use the PBOC's carbon emission reduction tools and other policies to preferentially support clean energy, energy conservation and environmental protection, carbon emission reduction technologies, clean and efficient use of coal, and other fields, thus blazing a trail in just transition of finance. Meanwhile, it will actively introduce new financing products and services such as carbon emission rights-pledged financing, low-carbon credit cards, sustainability-linked financial products, and transitional bonds.



Yao Hong, member of the Party Committee and Vice President of Postal Savings Bank of China

Du Chunye, Party Committee Member and Vice President of PSBC:Developing green finance to drive the low-carbon recovery

In December 2022, Du Chunye, Party Committee Member and Vice President of PSBC, was invited to attend the 2022 International Green Finance Summit - Dianchi Forum via video link and delivered a keynote speech. Vice President Du Chunye said that PSBC actively practices the concept of lucid waters and lush mountains are invaluable assets. The development of green finance is not only an objective need to build a community with a shared future for mankind and promote the harmonious coexistence between human beings and nature, but also an inherent requirement for the Bank to facilitate the green low-carbon transition and achieve high-quality development. It is proposed that the Bank, guided by a systemic approach and strategic positioning, should make coordinated progress in corporate governance, innovation-driven growth, incentives and constraints, risk management, cooperation and exchange, etc. to promote the sound and rapid development of green finance.



Du Chunye, member of the Party Committee and Vice President of Postal







WORK MECHANISM

The Bank has formed a work mechanism in which the Board of Directors and the Senior Management coordinate and lead the work related to green finance as a whole. The Credit Management Department takes the lead in management, other relevant Head Office departments work together, and branches and subsidiaries carry out specific tasks related to green finance.

Senior Management Set green finance objectives and establish mechanisms and processes according to the decisions of the Board of Directors.

"Dual Carbon"/ Green Finance Steering Group

make overall planning and systematic arrangements for "dual carbon"/green finance-related work.

"Dual Carbon"/ Green Finance Working Group

implement the decisions and plans of the Steering Group, get related work done effectively level by level, and provide guidance to and coordinate the work of green finance properly.

COLUMN: INAUGURATING CARBON-NEUTRAL SUB-BRANCHES, GREEN SUB-BRANCHES, AND GREEN FINANCE INSTITUTIONS

Innovative systems and mechanisms: PSBC Huzhou Branch was designated as a Head Office–level demonstration branch of green finance reform and innovation pilot zone; carbon–neutral sub–branches and green sub–branches were inaugurated or established in many places such as Wuxing City and Quzhou City of Zhejiang Province, Guangzhou City, Shenzhen City, Gaozhou City, and Shaoguan City of Guangdong Province, Nanjing City of Jiangsu Province, Dingxi City of Gansu Province, and Miyun District and Mentougou District of Beijing; the Head Office approved the applications for setting up green finance centers, financial service centers for green and low–carbon transition, and others submitted by Sanming Branch and Nanping Branch in Fujian Province, Liuzhou Branch and Hezhou Branch in Guangxi Province, Suzhou Branch in Jiangsu Province and five tier–1 sub–branches under its jurisdiction, as well as Huzhou Branch in Zhejiang Province and three tier–1 sub–branches under its jurisdiction.

Establishing Changpo Carbon–Neutral Sub–branch of Gaozhou City of Guangdong Province, the first carbon–neutral sub–branch in PSBC's network. The sub–branch is committed to serving the development of green and low–carbon industries. In order to meet local investment and financing needs for promoting green and low–carbon technology, green production, green consumption and rural revitalization, the Bank established green finance experience centers, optimized resource allocation of green credits and explored carbon emission right pledge loans, carbon sink quota pledge loans, energy efficiency and conservation usufruct pledge loan and other innovative green and low–carbon development products and services, which effectively facilitated coordinated development among the economy, society and environment.



Changpo Carbon-Neutral Sub-Branch of Gaozhou City of Guangdong Province, the first carbon-neutral sub-branch in PSBC's network

COLUMN: CARRYING OUT GREEN FINANCE-RELATED TRAINING

Diversifying the forms and themes of green finance training. On–site, online, and teleconference/videoconferencing training methods were adopted to give training courses on topics such as credit policies, green credit statistics, ESG and climate risks, and environmental information disclosure/reporting across the Bank, achieving remarkable results.



Provided thematic training to spread the green concept

The Bank organized the training program on the implementation of the core principles conveyed at the 20th CPC National Congress, and invited experts to give courses on the theme of "promoting green development and harmonious coexistence between human beings and nature", which could further spread and implement the concepts of green development and harmonious coexistence in the Bank.



Established the mechanism of "industry research lectures" to interpret green and low-carbon strategies

During the reporting period, external experts were invited to give nine lectures in a wide array of green and strategic emerging fields such as new energy vehicles, energy storage, and marine economy, which deepened credit staff's comprehension and understanding of green industries and strengthened credit support to the real economy.



Strengthened the development of information carriers to popularize professional knowledge

The Bank compiled and distributed the "Dual Carbon" Handbook – Basic Knowledge and regularly published the Credit Business Policies and the Credit Management Research to continuously enhance the knowledge reserve and working ability with respect to energy conversation, emission reduction, and green development.











STRENGTHENING THE STEERING ROLE OF **STRATEGIES**

To promote the building of a green bank from a strategic height, the Bank formulated the Outline for the 14th Five-Year Plan of Postal Savings Bank of China, which incorporated the realization of the "dual-carbon" goals and the building of a green bank into the 14th Five-Year Plan

Strategic objectives set out in the 14th Five-Year Plan

Empower high-quality development with fintech, accelerate the transformation of business mode, build an intelligent risk control system, enhance value creation capabilities, and build a leading digital ecosystem-based bank that serves rural revitalization and new urbanization.

Strategic guidelines set out in the 14th Five-Year Plan

Prioritize promoting high-quality development; serve rural revitalization and new urbanization, provide services in lower-tier markets to consolidate advantages at county areas, and make breakthroughs in key areas to enhance the competitiveness in cities, thus forming a strategic "dual-wheel" pattern driven by both urban and rural development; adhere to the three-sphere positioning of serving Sannong, urban and rural residents, and SMEs; make efforts in four major areas, that is, inclusive finance, wealth finance, industrial finance, and green finance; promote the "five-pronged" transformation toward "uniqueness, comprehensiveness, lightness, digitalization, and intensiveness"; and intensify the six strategies of increasing technology empowerment, deepening customer relationship, boosting the leapfrog growth of fee and commission income, building a strong bank with talents, safeguarding the Bank through risk management, and attaining coordinated development.

The overall approach to green finance

Spearheaded by the concept that lucid waters and lush mountains are invaluable assets, the Bank fully implements major decisions and plans made by the CPC Central Committee and the State Council such as the "dual carbon" goals, to vigorously develop sustainable finance, green finance, and climate finance.

STRENGTHENING TOP-LEVEL DESIGN

After earnestly learning and implementing Xi Jinping's thought on ecological civilization and the core principles of the 20th CPC National Congress, the Bank has formulated the Action Plan to Realize the Goal of Peaking Carbon Emissions and Achieving Carbon Neutrality of Postal Savings Bank of China and incorporated the "dual carbon" goals into its overall development.

OVERALL REQUIREMENTS

The Bank will apply systems thinking, deal with the relationship between business development and emission reduction, overall and local interest, and short-term and medium/long-term targets properly, integrate the "dual carbon" goals into the overall picture of PSBC serving economic and social development, steadfastly follow the green and low-carbon path to high-quality development, and make every effort to build a "carbon neutral" bank, ensuring that the "dual carbon" goals are achieved as scheduled.

MAIN OBJECTIVES

BY 2025

BY 2030

BY 2060

Strive to build a first-class green, inclusive bank, climate-friendly bank, and eco-friendly bank in China;

Finish building a first-class green, inclusive bank, climate-friendly bank, and eco-friendly bank in China;

Finish building a first-class green, inclusive bank, climate-friendly bank, and eco-friendly bank worldwide.

KEY TASKS

Focus on taking ten major actions, that is, organizational management action, policy formulation action, financial innovation action, incentive and constraints action, risk control action, carbon accounting action, green operation action, external cooperation action, capacity enhancement action, and green public-interest action, along with 40 specific initiatives.



COLUMN: GREEN WORLD, BETTER LIFE

The Bank has put forward the proposition that "green world, better life", integrated social responsibility into its development strategy, governance structure, corporate culture, and business processes, and actively built a green brand. It released a new promotional film titled "Green World, Better Life" and a large-scale coverage scheme called "Green China"







INDUSTRY POLICIES AND GUIDELINES

RESOURCE ALLOCATION POLICIES

GREEN OPERATION DOCUMENTS

DATA MANAGEMENT SYSTEM







Focusing on the "dual carbon" national strategy/goals, the Bank has improved the green finance policies/systems, optimized the credit policies and guidelines, improved the resource allocation policies, strengthened the statistical management of green credit, deepened green operation, and advocated green office, all of which could continuously consolidate the institutional foundation for green development.



→ INDUSTRY POLICIES AND GUIDELINES

Issued the Credit Policy of Postal Savings Bank of China (Version 2022)

Closely following the guidance of national policies, the Bank increased support for green industries such as low-carbon economy, circular economy, energy conservation and environmental protection sector, prioritized support for a wide array of fields such as energy conservation and environmental protection, green transportation, renewable energy, clean energy, green buildings, green consumption, carbon capture and storage (CCS), and afforestation, and provided favorable policies on differentiated economic capital, credit scale, and loan pricing to develop green finance vigorously.

Continuously strengthened ESG management. With green and low-carbon development requirements fully incorporated into its industry and customer credit policies, the Bank set technological, environmental, energy consumption, safety, and other thresholds for the selection of customers and projects. It provided financial services for traditional industries in support of their green and low-carbon transition/upgrading, and channeled funds towards the fields concerning secure energy supply and green/low-carbon development. Upholding the "one-vote veto principle for environmental protection", it adopted a "zero tolerance" policy for customers and projects that do not comply with environmental and industrial policies, and prohibited the entry into energy-intensive, carbon-intensive, and low-level projects that do not meet relevant requirements.

INDUSTRY-SPECIFIC CREDIT POLICIES

INDUSTRY/ FIELD	CREDIT POLICY DESCRIPTION
Agriculture, forestry, animal husbandry and fishery	The agriculture, forestry, animal husbandry and fishery industry includes agriculture, forestry, animal husbandry, fishery, etc. The Bank lists the industry as one of the industries of encouraged entry. Aiming at environmental protection, it actively develops green agriculture, forestry, fishery and animal husbandry projects, natural resources and tourism resources protection and development projects, and ecological restoration projects with multiple benefits.
Biodiversity	The Bank includes biodiversity conservation in the supporting scope of sustainable finance and green finance, explores commercially sustainable biodiversity investment and financing opportunities, and channels more financial resources toward areas of biodiversity conservation and nature–based solutions.
Climate change	The Bank focuses on policies for global climate change and requirements for GHG emission reduction, and gives priority to clean, green renewable energy projects.
Energy utilization	The energy utilization–related industries mainly include natural gas power generation, hydropower, nuclear power, wind power, photovoltaic (PV) power generation, biomass power generation, and electricity supply. The Bank includes the clean energy industries, such as PV power generation, wind power, and hydropower in the industries of encouraged entry to give them more support, and takes the energy conservation and emission reduction measures adopted by enterprises in the production and distribution processes and the effects such measures produce as an important reference for decision making, with a view to cultivating and strengthening the clean energy industries and facilitating transformation and upgrading of the traditional energy industries.

INDUSTRY/ FIELD	CREDIT POLICY DESCRIPTION
Mining	The Bank supports green, clean, and intelligent mining projects, and considers work safety, environmental protection, resource utilization, and other aspects when selecting and bringing on board customers and projects. It supports the green and intelligent development of the coal industry as well as the clean and efficient utilization of coal. While upholding the "one-vote veto" principle for ESG and climate risk, the Bank stipulates that no customers or projects with material environmental and climate risks can be undertaken. It resolutely scales down and exit from enterprises that do not conform to the national industrial policies with illegal production capacity, outdated production capacity, and non-compliance in terms of environmental protection and work safety.
Petroleum and natural gas extraction	Petroleum and natural gas extraction refers to a series of professional and auxiliary activities in relation to petroleum and natural gas exploitation. The Bank pays great attention to the environmental and social risks of investment and financing activities in the oil and gas sector, supports projects that comply with the comprehensive utilization of resources, energy conservation, and environmental protection standards stipulated in the industrial policy, and focuses on the environmental risks associated with the discharge of fracturing flow–back fluid and gas field water, the disposal of waste mud and rock chips, and the safe storage of chemicals.
Transportation	The transportation industry mainly includes railroads, highways, ports, shipping, urban rail transit, air transportation, and civil airports. The Bank prioritizes supporting green transportation projects, such as railroad transportation, urban rail transit, and eco-friendly transportation projects, gets actively involved in national key projects that aim to bolster up weak links such as transportation infrastructure, provides climate financial services for areas such as vehicle retrofitting for emission reduction, and facilitates the formation of a network of intelligent transportation and logistics facilities.

Formulated the Key Points of Work Related to the "Dual Carbon" Goals and Green Finance of Postal Savings Bank of China in 2022

Set out the work objectives and key tasks to achieve the target of green loans and loans to clean energy industries growing at a rate no lower than the growth rate of total loans.

Formulated the Work Plan for Serving Industrial Green Development with Financial Strength of Postal Savings Bank of China

To provide financial support for industrial green development.

Developed the 2022 Work Plan for Green Inclusive Finance Services for Small Businesses of Postal Savings Bank of China and the Notice on Further Promoting the **Development of Green Finance under Sannong Finance Line**

To propel the integrated development of inclusive finance and green finance and support the low-carbon transition of inclusive groups.











RESOURCE ALLOCATION POLICIES

STRENGTHENED PERFORMANCE APPRAISAL

The Bank formulated core business indicators on the balanced scorecard to appraise the performance of the Head Office departments and the performance appraisal measures for the operation and management of tier-1 branches, and incorporated green credit indicators into the performance appraisal scheme of relevant Head Office departments and branches. The credit management evaluation program for tier-1 branches was developed, in which the indicator of "green bank development" was added to evaluate the performance of tier-1 branches in terms of organizational management, policy implementation, business development, and capacity building on a quarterly basis.

PREFERENTIAL POLICIES

Priority of credit supply was given to green credit business. Differentiated economic capital adjustment coefficients were introduced, with the coefficient for green finance business lowered to 90%. When it comes to fund transfer pricing (FTP), green credit and green bonds were entitled to a 15 BP discount, and inclusive green credit for micro and small enterprises were entitled to a 70 BP discount.

DIFFERENTIATED APPROVAL AUTHORIZATIONS

As per the principle of authorizations being commensurate with capabilities, differentiated approval authorizations were granted to green finance business, and greater autonomy was offered in a wide range of green finance fields such as energy conservation and environmental protection, solar PV power generation, wind power, biomass power generation, and hydropower.

FAST TRACK FOR REVIEW AND APPROVAL

The Bank opened up a fast track for review and approval, increased the support for parallel operations, and supported the development of green finance business.

GREEN OPERATION DOCUMENTS

THE RESPONSIBILITY STATEMENT WAS SIGNED

Heads of PSBC branches and subsidiaries signed the Responsibility Statement on Ecological and Environmental Protection for 2022, undertaking to comply with all environmental protection laws, regulations, and policies, strictly implement the local requirements for air pollution emissions, motor vehicle exhaust fumes, exhaust emissions in production processes, infrastructure wastewater discharge, etc., and ensure no major violations occur regarding environmental protection, preventing environmental problems to the maximum extent.

LOW-CARBON AND ENERGY-SAVING BUILDINGS WERE ADVOCATED

The Key Points of Work Related to Engineering Construction of Postal Savings Bank of China for 2022 was formulated to accelerate the development of green buildings. Requirements for green buildings will be first applied to newly constructed and reconstructed fixed facilities

DATA MANAGEMENT SYSTEMS

STRENGTHENED DATA SECURITY MANAGEMENT AND CLIENT INFORMATION **PROTECTION**

The Data Security Management Measures of Postal Savings Bank of China and The Management Measures for Personal Client Information Protection of Postal Savings Bank of China were issued to improve the data security management system, refine data security classification and grading, data security assessment, and data lifecycle security requirements, and bring sensitive data under key protection.

IMPROVED THE DATA GOVERNANCE SYSTEM

The Data Governance Committee of the Head Office was established to put in place a comprehensive and effective data governance system, effectively promoting the development of data governance work throughout the Bank. The Notice on Conducting Specialized Investigation of Green Credit-related Labels was issued to further consolidate the data foundation of green credit and improve the accuracy of statistics.



ESG RISK MANAGEMENT SYSTEM

CONSTRUCTION OF AN ENVIRONMENTAL INFORMATION DATABASE

IDENTIFICATION AND ASSESSMENT OF CLIMATE RISKS

QUANTITATIVE ANALYSIS OF ENVIRONMENTAL RISKS

INTERNAL AUDITING







The Bank has incorporated environmental and climate risks into its comprehensive risk management system, established an environmental information database, identified and assessed climate risk, and conducted specialized investigation of ESG and climate risks and climate risk stress tests, thus improving its ESG and climate risk management capabilities continuously.

ESG RISK MANAGEMENT SYSTEM

As per the *Green Finance Guidelines for Banking and Insurance Industries*, the Bank formulated the *Measures for Managing Environmental*, *Social*, *and Governance Risks of Postal Savings Bank of China*, implemented the principles of whole process, all elements, all aspects and full coverage, and integrated ESG management requirements into the management processes and comprehensive risk management system.

Whole-process control

Pre-lending due diligence

ESG risk is taken as a necessary part and an important element of pre-lending due diligence. The pre-lending investigation report will devote a chapter to expounding the ESG risk status and investigation opinions of a customer, and offer the recommendation about the preliminary classification of ESG risks, along with the necessary action plan for risk control and performance improvement.



Review and approval

ESG risk management and compliance of customers and projects is taken as an important part of the process; ESG risk classification and risk review opinions are regarded as a significant reference; and credit applications in support of green, low–carbon, and circular economy will be prioritized in review and approval.



Fund disburse[.] ment

The review of ESG risk management status of customers is embedded in the review process as an essential part of fund disbursement management.



Post-lending (investment) management

ESG risk of credit customers is brought under dynamic assessment and included in the post–lending (investment) management: post–lending (investment) management process.

CONSTRUCTION OF AN ENVIRONMENTAL INFORMATION DATABASE

The Bank made better use of fintech tools, continuously optimized and improved the big data platform of green finance, and built an environmental information database by collecting, organizing, and analyzing the environmental information disclosed by government organs and enterprises in its "Jinjing" (Golden Eye) credit risk monitoring system. Relying on the Dynamic Environmental Performance Appraisal (DEPA) solution of the Institute of Public and Environmental Affairs (IPE), the Bank conducted a dynamic assessment of the environmental performance delivered by enterprises from the perspectives of pollution prevention and control, environmental management, and social supervision, so as to quickly and efficiently identify the environmental credit risks of enterprises and improve the quality and efficiency of credit management.

- Based on environmental data, the Bank added the environmental information module to the customer portraits drawn in the "Jinjing" (Golden Eye) credit risk monitoring system, with a view to strengthening the environmental risk monitoring throughout the whole credit process of customers. As of the end of the reporting period, the Bank monitored the environmental risk information of 147,703 corporate customers.
- A green intelligent identification model was constructed to better identify green projects and green assets. The environmental benefit measurement method developed by the NAFR(former CBIRC) for typical projects was embedded into the system to measure the environmental benefits of green projects.

IDENTIFICATION AND ASSESSMENT OF CLIMATE RISKS

Climate risks refer to the potential adverse impacts that climate change may cause to natural systems and socioeconomic systems, which are mainly divided into physical risks and transition risks. Specifically, physical risks mean the occurrence of climate anomaly, environmental pollution, and other events, leading to serious losses on the balance sheets of market players such as enterprises, households, banks, and insurance institutions, and thus affecting the financial system and macroeconomy. Transition risks refer to the risks of repricing carbon–intensive assets or financial loss due to policies such as the significant tightening of carbon emissions or the advent of technological innovation, in order to cope with climate change and advance low–carbon economic transition.

CLIMATE RISK POINT	SCOPE OF IMPACT CAUSED BY CLIMATE RISKS
Disruption of business activities or devaluation of assets due to extreme weather events.	Short-term risks
Disruption of business activities due to environmental pollution events or increased operating costs for credit customers due to environmental pollution events.	Medium and long-term risks
Disruption of business activities or devaluation of assets due to sea level rise.	Medium and long-term risks
Risks or losses derived from energy transition policies.	Short, medium and long-term risks
Risks or losses from the impact of technological change.	Medium and long-term risks
Risks or losses arising from shifts in market sentiment as a result of climate policies.	Short, medium and long-term risks
Damage to the Bank's reputation when industries or customer groups on which the Bank is highly concentrated perform poorly as a whole.	Short, medium and long-term risks
	Disruption of business activities or devaluation of assets due to extreme weather events. Disruption of business activities due to environmental pollution events or increased operating costs for credit customers due to environmental pollution events. Disruption of business activities or devaluation of assets due to sea level rise. Risks or losses derived from energy transition policies. Risks or losses from the impact of technological change. Risks or losses arising from shifts in market sentiment as a result of climate policies. Damage to the Bank's reputation when industries or customer groups







QUANTITATIVE ANALYSIS OF ENVIRONMENTAL RISKS

CONDUCTED CLIMATE RISK STRESS TESTS

During the reporting period, the Bank conducted climate risk sensitivity stress tests for eight industries, that is, electricity, iron and steel, building materials, petrochemicals, chemical engineering, paper—making, civil aviation, and non–ferrous metal smelting.

The stress tests focused on assessing the Bank's ability to cope with transition risks under the "dual carbon" goals and examining how rising carbon emission costs of enterprises in carbon—intensive industries would impact the quality of credit assets held by the Bank and its capital adequacy ratio (CAR). Using internal data and models and adopting the methodology of scenario analysis and financial transmission models, these tests analyzed the changes in credit asset quality and CAR of the eight industries under scenarios of different carbon emission allowance (CEA) prices in the national carbon trading market.

The test results show that the credit risks of some carbon–intensive customers have increased under mild, moderate, and severe stress scenarios, but the impact on the CAR of the Bank is manageable on the whole, and that the core tier–1 CAR, tier–1 CAR, and CAR in 2030 all meet the regulatory requirements and pass the stress tests.

CARRIED OUT SPECIALIZED SCREENING OF ESG AND CLIMATE RISKS

Since 2017, the Bank has organized specialized screening of ESG and climate risks for six consecutive years. During the reporting period, it started specialized screening of such risks in the energy-intensive and carbon-intensive areas, formulated a work plan for ESG and climate risk screening, placed emphasis on the industries with safety hazards, industries under key management of national environmental pollution control, and energy-intensive and emission-intensive industries, clarify the scope of screening regarding environmental and social risks, governance risks and climate risks, and acquired ESG risk information through self-inspection, on-site spot-checks, field visits, and other methods to find out the truth, deal with risks based on categorization to prevent or mitigate potential risks.



Special auditing inspections were carried out on green finance. During the reporting period, the Bank conducted special audits on green finance for 14 Head Office departments and seven tier–1 branches. The focus of inspection was placed on the implementation of green finance policies, incentive mechanisms, customer cultivation and product development, process control, etc.



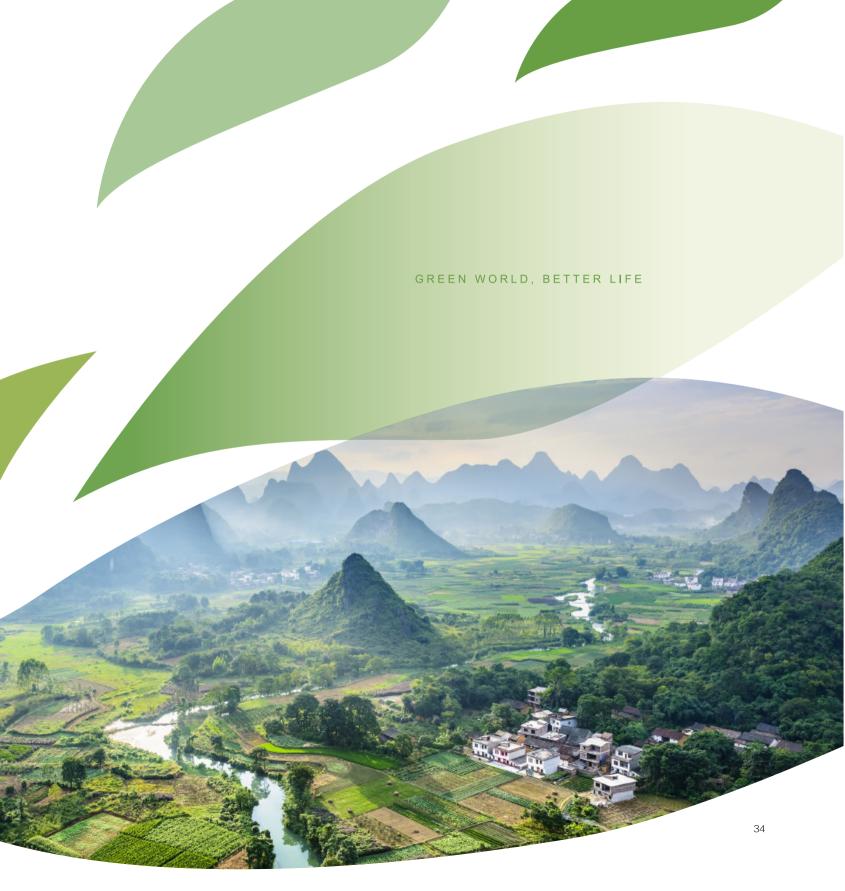
GREEN BONDS

ESG INDEX

INDUSTRIES FEATURING "HEAVY POLLUTION, HIGH ENERGY CONSUMPTION, AND OVERCAPACITY"

INNOVATION OF GREEN FINANCE PRODUCTS AND SERVICES

TYPICAL GREEN FINANCE CASES









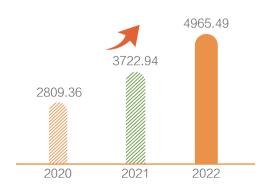


According to the PBOC's statistics on green loans, as of the end of the reporting period, the Bank's green loan balance was RMB496,549 million, an increase of 33.38% compared with the end of the previous year.

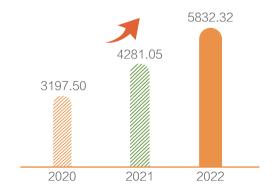
According to the statistical standard of green financing by former CBIRC (now NAFR), as of the end of the reporting period, the Bank's green financing balance was RMB583,232 million, an increase of 36.24% compared with the end of the previous year.

With the support of carbon emission reduction tools, the Bank issued carbon emission reduction loans of RMB30,979 million to 312 projects, which contributed to an annual reduction of 6,117,500 tons in CO2 equivalent (CO2e).

Green loan balance (100 million yuan)



Green financing balance (100 million yuan)



EQUIVALENT EMISSION REDUCTION ACHIEVED BY GREEN CREDIT-SUPPORTED PROJECTS

EMISSION REDUCED	UNIT	2022	2021	2020
Standard coal	10,000 tons	1665.60	1397.92	790.03
Carbon dioxide equivalent	10,000 tons	3623.57	3151.77	1911.97
Chemical oxygen demand (COD)	10,000 tons	36.46	22.03	12.21
Ammonia nitrogen	10,000 tons	3.85	4.37	1.42
Sulfur dioxide (SO2)	10,000 tons	41.22	158.10	19.70
Nitrogen oxide (NOx)	10,000 tons	25.97	14.66	8.29
Water conservation	10,000 tons	1456.49	985.25	2087.76
Particulate matters (PM2.5)	10,000 tons	18.03	6.77	6.23
Volatile organic compounds	10,000 tons	7.61	660.24	1.33
Total nitrogen	10,000 tons	5.41	3.41	0.36
Total phosphorus	10,000 tons	0.49	0.87	0.06







GREEN BOND ISSUANCE

On March 23, 2023, the Bank publicly issued RMB5 billion of three–year green finance bonds (tranche I) in the national inter–bank bond market. All the proceeds from the issuance of the green finance bonds will be used for the industrial projects supporting green upgrading of infrastructure as stipulated in the *Catalogue of Green Bond–supported Projects (Version 2021)*. Meanwhile, the *Common Ground Taxonomy:* Climate Change Mitigation, a joint initiative of China and the European Union (EU), will apply.

GREEN BOND INVESTMENT

As of the end of the reporting period, the Bank's green bond investment balance was RMB29.95 billion, an increase of 29.58% compared with the end of the previous year, and the Bank was awarded the title of "Excellent Institutional Investor of ChinaBond Green Bond Index" for four consecutive years.

GREEN BOND UNDERWRITING

During the reporting period, the Bank underwrote seven green bonds with a scale of RMB4,520 million.

UNDERWRITING SUSTAINABILITY-LINKED BONDS

During the reporting period, the Bank successfully issued the first "sustainability-linked and energy supply-ensuring" debt financing plan in China and underwrote RMB1.8 billion sustainability-linked medium-term notes to help energy enterprises save energy and cut carbon emissions.



INVESTING IN THE FIRST US DOLLAR GREEN BOND IN THE CHINESE LITHIUM INDUSTRY

The Bank invested in a five–year USD–denominated senior unsecured credit–enhanced green bond with a fixed rate, which was issued by CNGR Hong Kong New Energy Co., Ltd., a wholly owned subsidiary of CNGR Advanced Materials Co., Ltd., and all funds raised would be used for clean transportation, circular economy, renewable energy, energy efficiency, sustainable water resources and wastewater management, pollution prevention and control, and other fields. As the first medium and long–term USD green bond issued by a Chinese lithium enterprise, it set a good example for companies in the lithium industry to carry out overseas green financing activities.

INVESTING IN THE FIRST "BLUE BOND" IN BEIJING IN 2022

During the reporting period, the Bank invested in the RMB1.5 billion green medium—term note (blue bond) issued by GD Power Development Co., Ltd., which was not just the first blue bond in Beijing in 2022 but also the largest single blue bond issued in the national inter—bank market. The funds raised from the bond will be used entirely for the development and construction of the issuer's two offshore wind power projects in Zhoushan and Xiangshan, Zhejiang Province. Upon entry into operation, they are expected to generate green electricity of about 700 million kWh per year, which is equivalent to reducing standard coal by 233,000 tons and carbon emissions by 477,000 tons.

UNDERWRITING THE SUSTAINABILITY-LINKED BOND ISSUED BY SHANDONG ENERGY GROUP

To support green and low–carbon transition/development, the Bank underwrote the sustainability–linked bond issued by Shandong Energy Group. The bond was linked to the installed capacity of new–energy power generation and the utilization volume of mine filler gangue. It is estimated that by the end of 2024, the cumulative installed capacity of new–energy power generation will hit at least 2.3 million kilowatts and the cumulative utilization volume of mine filler gangue will reach 9.2 million tons. The issuance of the bond could help the issuer finish its low–carbon and clean transition faster, optimize the debt financing structure, and reduce financing costs.



PSBC underwrites the sustainability-linked bonds of Shandong Energy Group to support Shandong Energy Group's offshore wind power project





ESG INDEX

During the reporting period, the Bank cooperated with Deutsche Börse Group and other financial institutions to release the STOXX PSBC China A ESG Index on a German exchange, which is the first A-share ESG index co-issued by Chinese and German financial institutions in the global market to combine both international standards and local characteristics, helping to establish a Chinese ESG brand in the international market. First, the internationally accepted sustainable development concepts were integrated into the compilation process of the index. Sample stocks with high ESG ratings and significant ecological/environmental benefits were selected in order to build high-quality investment targets that are environmental and climate-friendly and promote the participation of enterprises in climate change activities. Second, the index included social responsibility factors and indicators with Chinese characteristics, such as rural construction and green transformation, a design making it better adapted to the current development situation in China. Third, the index constructed a quantitative model and a risk control model, and regularly adjusted the constituents to optimize the ESG scores and become less volatile. In this sense, the index could provide domestic and international investors with a good tool to observe ESG performance and long-term investment value of A-share companies, while prompting all parties to pay more attention to ESG management activities and practices of enterprises and jointly promote the high-quality development of China's ESG market.

During the reporting period, the Bank issued the ESG-themed product "PSBC Wealth – Hongjin Closed-end Phase 5 2022 (ESG-themed)". By evenly allocating equity and debt assets, the product would invest in the constituent stocks of the STOXX PSBC China A ESG Index and the equity assets through the proactive management strategy that matches the economic cycle and valuation, to achieve the optimal balance of return and risk.





PSBC uses mobile business terminals to conduct business and support green consumer credit

INDUSTRIES FEATURING "HEAVY POLLUTION, HIGH ENERGY CONSUMPTION AND OVERCAPACITY"

In strict accordance with the national industrial policies, policies on environmental protection, work safety and energy consumption as well as the principle of "supporting and controlling development of some fields while withdrawing from and limiting the development of some other fields", the Bank continued to implement differentiated credit policies for the industries featuring "heavy pollution, high energy consumption and overcapacity". It gave reasonable credit support to eligible enterprises and projects, refrained from blindly withdrawing and cutting off loans, and prevented "one–size–fits–all" solutions and campaign–style carbon reduction attempts. Meanwhile, the Bank resolutely implemented the one–vote veto system for environmental evaluation, curbed investments in energy–intensive, carbon–intensive and low–level projects, and controlled the proportion and growth rate of loans extended to the industries featuring "heavy pollution, high energy consumption and overcapacity". As at the end of the reporting period, the balance of loans to companies featuring "heavy pollution, high energy consumption and overcapacity" was RMB57,103 million, accounting for 2.14% of the Bank's total corporate loans, a decrease of 0.10 percentage point from the end of the previous year.

BUSINESS CONCERNING INDUSTRIES FEATURING "HEAVY POLLUTION, HIGH ENERGY CONSUMPTIONV AND OVERCAPACITY"

	UNIT	DECEMBER 31, 2022	DECEMBER 31, 2021	DECEMBER 31, 2020
Balance of loans to companies featuring "heavy pollution, high energy consumption and overcapacity"	RMB100 million	571.03	505.23	622.55
Corporate loan balance	RMB100 million	26,693.63	22,539.36	19,777.85
Ratio of loans to companies featuring "heavy pollution, high energy consumption and overcapacity" in corporate loans	%	2.14	2.24	3.15

Note: For the classification of industries with high energy consumption, high pollution and overcapacity, please refer to the Notice of the General Office of the China Banking Regulatory Commission on Issuing Key Evaluation Indicators for the Implementation of Green Credit (Yin Jian Ban Fa [2014] No. 186).

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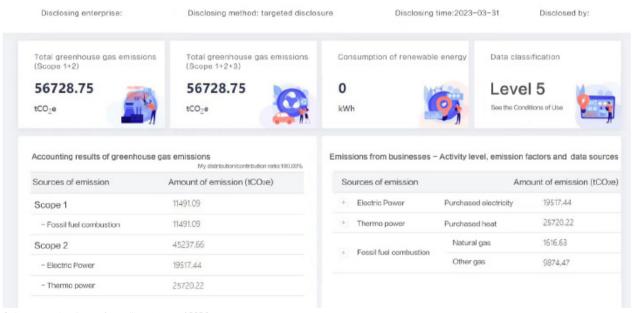


INNOVATION OF GREEN FINANCE PRODUCTS AND **SERVICES**

During the reporting period, the Bank was active in green finance innovation. It developed and promoted financial products such as carbon emission rights-pledged financing, green credit asset securitization, green consumption, green wealth management and green low-carbon themed debit card; rolled out innovative investment and financing modes such as green bonds and sustainability-linked bonds/loans/debt financing; promoted ESG investment funds and other related wealth management products; and provided corporate customers with free value-added service of carbon accounting to assist them in carbon management. The Bank took concrete action to practice the service concept of "Together we make it better".

CARBON ACCOUNTING SERVICES FOR CORPORATE CUSTOMERS

The Bank pushed forward carbon accounting for corporate customers subject to non-mandatory disclosure of environmental information in an active and orderly way. In cooperation with the IPE, the Bank used the GHG emission accounting platform (InsBlue) to provide real-time online GHG emission accounting for enterprises. As of the end of the reporting period, a total of 2,182 corporate customers finished carbon accounting.



Carbon accounting diagram for credit customers of PSBC



COLUMN: CARBON ACCOUNTING FOR ENTERPRISES HELPED XIANGXIANG CITY IN HUNAN PROVINCE BUILD A GREEN FINANCE DEMONSTRATION CITY

During the reporting period, PSBC Hunan Branch made every effort to carry out carbon accounting for enterprises in Xiangxiang City. It conducted training for local enterprises together with the Xiangxiang Municipal Government and the IPE. In the year, a total of 101 enterprises completed carbon accounting across the city, with all the companies above the designated size in the economic development zone included. In doing so, the Bank could provide necessary data for the municipal government to get informed of carbon emissions by enterprises, draft carbon budgets and emission reduction plans, establish an enterprise carbon account platform, and formulate incentive policies. Meanwhile, carbon accounting can also be used as an important criterion to evaluate enterprises in terms of low-carbon transformation, participation in carbon trading, and eligibility for preferential policies. In short, PSBC helped Xiangxiang City in Hunan Province to build a green finance demonstration city.

CARBON RESTORATION SERVICE FOR CORPORATE CUSTOMERS

A module for reporting and disclosing GHG emissions of enterprises was added to the Bank's "Jinjing" (Golden Eye) credit risk monitoring system, which could measure emissions and energy consumption of credit customers, thus prompting them to disclose environmental information, formulate effective environmental protection measures, and make headway in energy conservation, emission reduction and industrial upgrading. As of the end of the reporting period, a total of 295 enterprises disclosed their environmental violations under the Bank's guidance, and more than 200 customers measured and disclosed quarterly tap water consumption, wastewater discharge, GHG emissions, and other energy data with the help of the Blue Map platform and its tools.

SUSTAINABILITY-LINKED FINANCIAL PRODUCTS

To promote the development of transitional finance and meet the funding demand of traditional industries amid the low-carbon transition, the Bank launched sustainability-linked financial products, mainly including sustainability-linked loans, sustainability-linked bonds and sustainability-linked factoring business. Through the terms of loans or bonds, these products could motivate borrowers to achieve preset sustainability performance targets (SPTs), and offer preferential or penalty interest rates in a dynamic manner. In essence, they encourage enterprises to improve their environmental performance by regulating their financing costs. As of the end of the reporting period, the Bank saw the balance of sustainability-linked finance reach RMB7.8 billion.









ISSUING A SUSTAINABILITY-LINKED SYNDICATED LOAN

The Bank, as the sole lead bank, issued a sustainability–linked syndicated loan to Huaneng Tiancheng Financial Leasing Co., Ltd. The loan came in a size of RMB600 million, of which RMB300 million was issued by the Bank. The interest rate of the loan was linked to the enterprise's preset SPTs, that is, the input in clean energy projects, the installed capacity of clean energy generation, and the amount of carbon dioxide emissions reduced. While meeting the company's funding needs, the loan could also encourage it to increase funding for clean energy projects and give it new momentum for green development.

UNDERWRITING THE FIRST SUSTAINABILITY-LINKED AND ENERGY SUPPLY-ENSURING DEBT FINANCING SCHEME IN CHINA

The Bank successfully underwrote the fourth tranche of the 2022 debt financing scheme issued by Jinneng Holding Coal Industry Co., Ltd. in Beijing Financial Assets Exchange with a size of RMB1 billion and a term structure of 1+1+1. The product is the first sustainability–linked and energy supply–ensuring debt financing scheme in China, which linked the coupon rate in the third interest–bearing year to the completion of the debtor's preset SPT, that is, the number of new intelligent comprehensive mechanized stopes. In doing so, the debtor was motivated to press ahead with energy transition and green development, accelerate the intelligent mine construction through the iterative upgrading of technology and equipment, and take a step further towards green mining.

GREEN G DISCOUNT

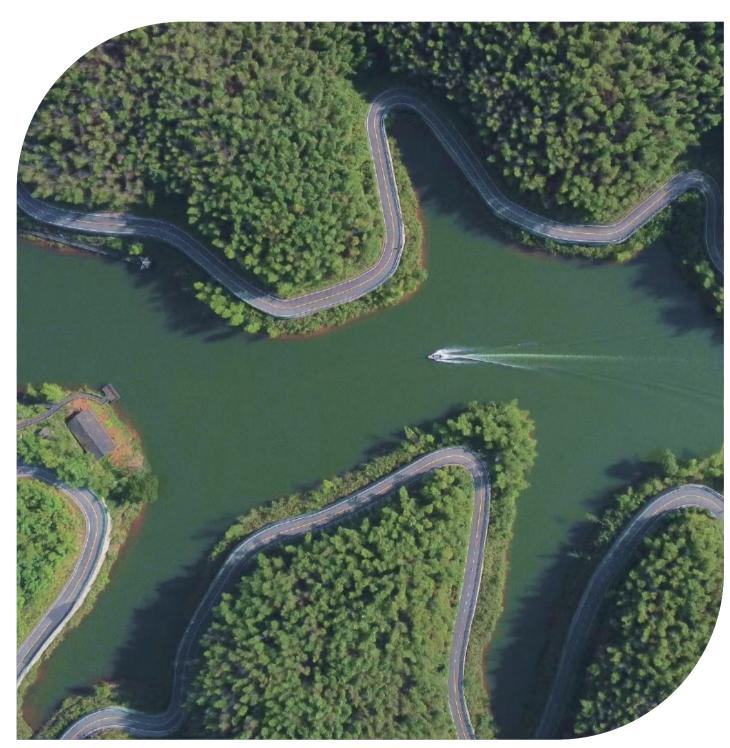
To diversify the lineup of green finance products and enhance the intelligent service level of the bill business for customer groups in green industries, the Bank launched Green G Discount, an innovative discount product combining green bills and e–CNY. As an online discount product, it could generate "Green G" points for customers with green financing behavior, which helps them cut discount costs. With the product, the Bank aims to customize a number of innovative service scenarios for green enterprises, such as loan disbursement in e–CNY and green privileged offers and benefits. The product has three main features. First, it is targeted at special customer groups. By providing an exclusive service platform for green and low–carbon enterprises, it helps them to embark on an innovative path to generate both ecological and economic benefits. Second, it creates new scenarios where e–CNY can be used, simplifying the financing and settlement process, improving the efficiency of payment and settlement, and realizing the traceability of discounted funds. Third, it allows "Green G" points to be redeemed in innovative ways. By developing the arithmetic model for the "Green G" points, the product could issue "Green G" points and related privileges to enterprises, lowering their expenses and allowing them to directly feel the benefits brought by each green transaction.

SCIENCE AND TECHNOLOGY INNOVATION E LOAN

By analyzing the technical links of the energy–saving and environmental protection industry chain, setting up the industrial technology maps and patents, penetrating the patent data, and assembling the list of small and micro enterprises in the upstream and downstream parts of the energy–saving and environmental protection industry chain, Science and Technology Innovation E Loan could extend credit and disburse funds to customers fast, and accurately serve small and micro enterprises with energy–saving and environmental protection–related inventions or utility model patents, supporting the development of the green technology industries engaged in energy conservation and environmental protection. As of the end of the reporting period, the Bank granted RMB3.3 billion of loans to small and micro enterprises in the upstream and downstream parts of the green technology industry chain that own energy–saving and eco–friendly patents.

MICRO LOAN FOR PV POWER GENERATION EQUIPMENT

Micro loan for PV power generation equipment is an innovative green and inclusive product launched by the Bank to provide financial support for rural revitalization, green development, and environmental protection. The product could greatly address the challenges facing farmers such as insufficient collateral and poor adaptability to traditional financial products by providing them with loans to support their purchase and installation of PV power generation equipment. The farmer households installing and putting into operation household PV power plants could not only use the generated electricity, but also sell the remaining electricity, if any, to the national power grid. While offering a long–term income source for low–income farmers and village collectives, the product would also achieve the purpose of reducing the use of carbon–intensive energy sources and optimizing the energy mix. In this sense, it can produce significant ecological and economic benefits. As of the end of the reporting period, the balance of micro loans for PV power generation equipment was RMB228 million, which went to 7,731 customers.



PSBC provides financial support to "national reserve forest", contributing to the balanced development between resource and economy





CARBON ACCOUNTS/CARBON CREDITS-BASED INNOVATIVE PRODUCTS

PSBC Carbon Loan and Low-carbon Rewarding Loan

Relying on the corporate carbon credit information system built by the local PBOC, PSBC Quzhou Branch in Zhejiang Province created application scenarios to launch the Qurongtong Carbon Account System. Connected to the carbon account system of the local PBOC and the Bank's credit system, it supported a variety of functions such as making queries into carbon–related financial data of enterprises, providing feedback to customers on their financing needs, and generating monthly reports on monitoring carbon account loans. Based on the carbon credit information labeling results of enterprises and the carbon account points of individuals, the Bank unveiled the PSBC Carbon Loan and Low–carbon Rewarding Loan along with differentiated credit support. As of the end of the reporting period, the Bank disbursed PSBC Carbon Loans worth RMB782 million and Low–carbon Rewarding Loans worth RMB297 million, respectively.

PSBC C Record

Personal carbon accounts make it possible for low-carbon behaviors to generate value. PSBC Hunan Branch launched "PSBC C Record", the first personal carbon account platform of the Bank. Centered on four major low-carbon scenarios of green finance, green living, green villages, and green public welfare, the platform created two green ecosystems in urban and rural areas. By establishing a carbon energy accounting and rewarding system, it could record 20 green behaviors of users including walking, taking the bus, taking the subway, using e-CNY, online borrowing, green mailing and green e-commerce. Then, it automatically calculates carbon energy values and links them with users' point redemption for privileges, forming a closed loop of green behaviors and privileges. This design encourages individuals to take green behaviors and develop green habits by converting them into "visible and tangible" wealth.

The PSBC C Record platform builds a green countryside ecosystem consisting of creditworthy villages, digital villages and industrial villages, and explores an accounting mechanism to measure crop carbon sequestration in the countryside and record the measured amounts into users' personal carbon energy accounts, with a view to helping farmers increase their income and facilitating rural revitalization. Meanwhile, users can also donate their carbon energy and join the public–interest projects such as the Golden Tea Ancient Tree Protection Program and the "PSBC Love" caring program for children in rural areas, making green actions more considerate and meaningful.



PSBC's personal carbon account "PSBC C Record" won 2022 Excellent Case (Financial Enablement) of the EY Sustainable Development Awards of the Year

CARBON EVALUATION/CARBON RATING-BASED INNOVATIVE PRODUCTS

Two Mountain Loan

Two Mountain Loan is a financial credit product based on the ecological credit system of individuals and enterprises. Through ecological credit points and evaluation, related evaluation results are used as a reference in the process of reviewing loan applications and deciding credit lines, interest rates and loan facilities. At present, the product mainly uses the "Lvgufen" function of the "Zheliban" APP to generate personal credit points and ratings and then extends credit line on a differentiated basis. The product could effectively meet the financial needs arising from production and operation activities, environmental improvement for rural residents, general household consumption expenditures, etc. As of the end of the reporting period, the balance of Two Mountain Loan was RMB168 million.

Carbon Credit Loan

Ningbo Municipal Bureau of Ecology and Environment, together with the Municipal Financial Regulatory Bureau, State Grid Ningbo Electric Power Supply Company and other units, carried out the pilot program to build a carbon credit evaluation system for financial application. In response, PSBC Ningbo Branch applied the carbon credit evaluation standards developed by Shanghai Environment and Energy Exchange in cooperation with Fudan University and Tsinghua University and proposed the innovative concept of "green, low-carbon, inclusive finance" to launch Carbon Credit Loan. In doing so, the branch could leverage the carbon credit evaluation system as a tool to provide small and micro enterprises with precise inclusive financial services. During the reporting period, PSBC Ningbo Branch granted a Carbon Credit Loan worth RMB7.4 million to a Zhejiang-based environmental technology company. This loan is not just the first Carbon Credit Loan issued by the Bank to small and micro enterprises, but also one of the first five Carbon Credit Loans issued by financial institutions in Ningbo City.

PSBC GREEN LOAN

Relying on the Internet and big data technologies, the Bank, based on the existing government affairs service model of Easy Small and Micro Loan, used the government affairs service data provided by Huzhou's green loan data sharing platform to issue short–term working capital loans to eligible small and micro enterprises online. The first PSBC Green Loan was extended during the reporting period.

GREEN AND LOW-CARBON THEMED CREDIT CARD

With the theme of environmental protection, the Bank launched a green and low-carbon themed credit card, targeting consumers who spend small amounts frequently such as taking the bus and the subway, riding shared bikes and charging electric vehicles, as well as young customers embracing environmental protection concepts. Cardholders could participate in the UnionPay Green and Low-Carbon Themed Card campaign organized by UnionPay, to earn green energy in three ways, that is, green consumption, environmental knowledge quizzes and environment-themed fun games, and then redeem the accumulated energy for corresponding benefits. As part of the campaign, each green spending behavior corresponds to a certain amount of carbon emissions reduced, which could be redeemed as the carbon emission reduction certificate. During the reporting period, the Bank issued 210,000 new credit cards of this kind, with a total consumption of RMB2,014 million. Moreover, when issuing new products, the Bank launched both virtual and physical cards to practice the concept of green and low-carbon operation, with 3.57 million virtual cards issued throughout 2022.



PSBC's green and low carbon themed credit card





TYPICAL GREEN FINANCE CASES

GREEN FINANCE SUPPORTING RURAL REVITALIZATION

The Pingliang Forestry and Grassland Ecosystem–based Poverty Alleviation Project in the Yellow River Basin focuses on the comprehensive ecological management of the Jingwei River Basin in the middle and upper reaches of the Yellow River, which involves a total estimated investment of RMB1,893 million and covers a total planning area of about 35.33 square kilometers, including about 11 square kilometers of ecological protection forests, about 0.8 square kilometers of ecological restoration forests, and about 23.47 square kilometers of forests to develop poverty alleviation industries. The project features ecological protection and wetland restoration, playing an important role in improving the ecological environment of the region, accelerating the intensive development of forestry and fruit industry in Pingliang City, and propelling the ecological protection and high–quality development of the Yellow River Basin. During the reporting period, PSBC Gansu Branch granted a credit of RMB145 million to the project in total.

GREEN FINANCE SUPPORTING BIODIVERSITY

The Bank has incorporated biodiversity conservation into the supporting scope of green finance and used the sophisticated green finance products available to raise funds for promoting biodiversity conservation.

Support for the Three Gorges Phase I Water Environment Treatment Project

PSBC Anhui Branch injected RMB620 million loans into the Lu' an Three Gorges Phase I Water Environment Treatment Project in Anhui Province to support the local efforts for water pollution control and water environment enhancement. Through leveling of the riverway and restoration of the shoal ecology, the project could ensure flood control safety, reduce water and soil loss, and guarantee sustainable utilization of water resources, thus providing more reliable basic support and ecological safety protection for the sustainable development of the economy and society. After the implementation of the project, there would form a continuous ecological corridor along the Pi River, which is expected to maintain the water quality of the river, improve ecological environment in the upstream section of the river in the urban area, protect and restore the river ecosystem, increase biodiversity of the river, and bring greater ecological benefits to the urban areas on the two banks of the river.

Support for comprehensive environmental management in the Bohai Sea region

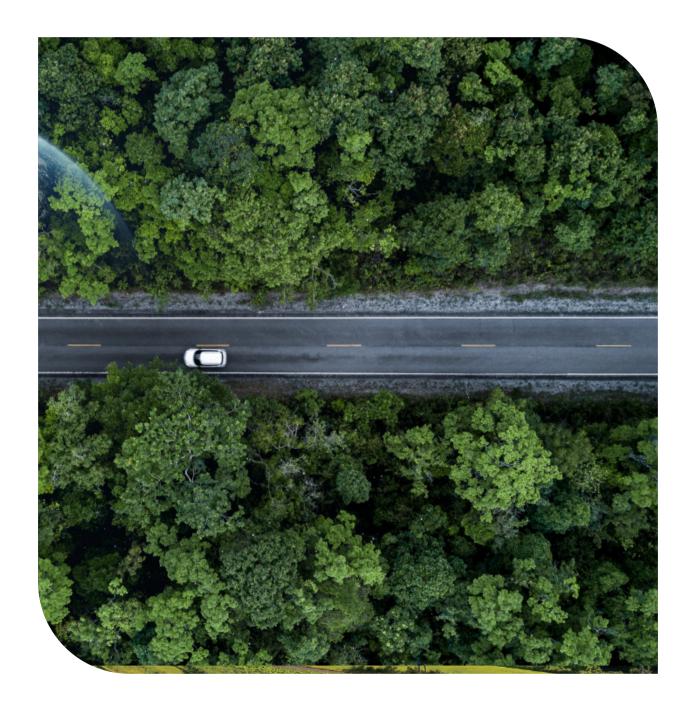
PSBC Shandong Branch provided financial support for the public-private partnership (PPP) project of Shouguang City for the comprehensive management and surface water utilization of the Mi River, the largest flood control and drainage river in the city. The implementation of this project would significantly improve the water environment of the river, maintain the balance of the river ecosystem, keep the flood control channels unimpeded, improve the living environment for nearby residents, and create a picturesque waterfront environment.

Support for a national reserve forest demonstration area

PSBC Hunan Branch explored the reserve forest loan mode with Yiyang Municipal Government, successfully granting credit line of RMB300 million. Anhua County in Hunan Province, a national reserve forest demonstration area, plans to cultivate a stable, sound and efficient forest ecosystem by improving, nurturing and replanting the existing forests, which would not just facilitate the protection of China's unique germplasm resources, but also be of great significance to the maintenance of biodiversity and advancement of forestry reform.

GREEN FINANCE SUPPORTING THE DEVELOPMENT OF ECO-AGRICULTURE

To help ensure food security, PSBC Heilongjiang Branch created the "Autumn Grain Purchase" loan and formulated the "Purchase Loan" service plan. Focusing on business fields such as green food certification, organic product certification, and pollution—free certification, the branch carried out the personal loans for the grain purchase industry chain, targeting the customer groups in the upstream and downstream sections of the green rice industry. By shifting the focus of service from small farmers to new types of agricultural business entities, it prioritized rolling out financial services suitable for the development of green agriculture. As of the end of the reporting period, the balance of green loans for eco—agriculture extended by PSBC Heilongjiang Branch reached RMB783 million, greatly promoting the integrated development of eco—agricultural industry chain with financial strength.















PSBC provides financial support to the Hebei Fengning Pumped Storage Power Station Project

PSBC provides financial support to the agrivoltaic project PSBC provides financial support to the Yangling Smart Agriculture Demonstration Park

PSBC provides financial support to the county-wide distributed PV project

GREEN FINANCE SUPPORTING THE CLEAN ENERGY INDUSTRY

As a crucial element in China's green energy transition and realization of the "dual carbon" goals, the clean energy industry has always been one of the key areas supported by the Bank.

Support for a smart agriculture demonstration park

Smart greenhouses in the Yangling Smart Agriculture Demonstration Park are equipped with a full set of intelligent farming systems, which can collect subtle changes in each crop during its growth and send out instructions from the central control room to regulate the indicators in greenhouses through the electric system and various types of indoor equipment, so as to ensure crops in greenhouses like lettuce can grow on time and up to standard. At the core of the park are these intelligent systems. To support the low–carbon operation of these systems, the Bank provided the park with credit of RMB17.17 million to support it in constructing a 4MW distributed PV power generation project. Upon completion, the project will generate more than 4.3 million kilowatt hours of electricity for the park every year, effectively reducing its reliance on the traditional energy sources and taking a great leap toward smart agriculture and green agriculture.

Support for the Hebei Fengning Pumped Storage Power Station Project

As the world's largest pumped storage power plant designed and built by China, the Hebei Fengning Pumped Storage Power Station served as an important green power supply source during the 2022 Winter Olympics in Beijing. To advance the project, PSBC Hebei Branch extended a credit of RMB1.99 billion to it as of the end of the reporting period. The power station, as an important part of the Zhangbei flexible direct current (DC) power grid, could transmit clean electricity from Zhangjiakou to various Winter Olympic venues, helping to achieve 100% green power supply during the event. After full completion and entry into operation, it will effectively enhance the peak regulation capability of the Beijing–Tianjin–Hebei power grid, contribute to the water management and soil & water conservation in the Luanhe River Basin, and promote the clean and low–carbon transition of the power grid in North China. The project is expected to help save 480,000 tons of standard coal and reduce 1.2 million tons of carbon dioxide emissions every year.

Support for a county-wide distributed solar PV power generation project

PSBC Shandong Branch issued a loan to Shandong Energy Group New Energy Company in support of a county–wide distributed PV power generation project. The loan was used to push forward a massive distributed PV power development project (Phase I) across Yishui County. Upon operation, it will generate about 60 million kWh of electricity a year, effectively replacing 20,000 tons of standard coal and reducing 52,200 tons of carbon dioxide emissions, and helping 2,000 local farmer households raise income by RMB2.2 million.

Support for a 20MW agrivoltaic project in Tangzhou Town, Taihe County

Agrivoltaic project is a practice of growing crops underneath solar panels. Without changing the nature of agricultural land, this win—win solution could efficiently combine energy industry and agriculture/forestry to improve comprehensive income, increase the areas of land reused and create jobs for nearby farmers, possessing great significance to the development of energy, agricultural, and forestry technologies. The project is expected to generate 18,573 MWh of electricity every year averagely. Compared with a thermal power plant of the same size, it could save about 5,664 tons of standard coal, reduce about 115.2 tons of sulfur dioxide emissions, about 15,100 tons of carbon dioxide emissions, and about 39 tons of nitrogen oxide emissions per year, which greatly contributes to energy conservation and emission reduction.

Shishou-Gaoling agrivoltaic project

Upon completion, this project would help relieve the pressure on local power supply, meet the needs for load growth in the surrounding areas, and make the power industry cause less environmental pollution. With a total installed capacity of 118.23 MW, the project will supply about 126,500 MWh of PV power to the power grid in the first year, which is expected to save around 38,000 tons of standard coal, reduce about 968.30 tons of sulfur dioxide emissions, 832 tons of nitrogen oxides emissions, and 93,300 tons of carbon dioxide emission, cut 499,000 tons of water consumption, and reduce 404 tons of soot emissions per year. The environmental benefits generated by the project are remarkable.

Hengliang Wind Farm Project (Phase II)

Wind power projects have many merits such as less environmental pollution and providing employment to the local community with the effective use of wind power resources. At the same time, they are in line with the national policies for industrial development, and capable of producing significant economic, energy–saving and environmental benefits. As of the end of the reporting period, PSBC Chongqing Branch supported Hengliang Wind Farm (Phase II), Shanshui Village Wind Farm in Nanchuan District and Fengchui Village Wind Farm in Nanchuan District with a total credit line of RMB888 million. The three projects would save 23,200 tons of standard coal and reduce 69,000 tons of carbon dioxide emissions every year.





GREEN FINANCE SUPPORTING THE UPGRADE TO GREEN INFRASTRUCTURE

As the main form of urban public transport, rail transit plays a pivotal role in energy conservation.

PSBC Qingdao Branch has continued to increase its support for the construction of green traffic routes. As of the end of the reporting period, it granted credit line of nearly RMB16 billion to Qingdao Metro, which would be mainly used as the operating funds of Qingdao Metro Group and for the construction of metro lines in the city, including Line 1, Line 2, Line 5, Line 6 and Line 8.

PSBC Yunnan Branch formulated a green finance service plan to meet the financing needs of Kunming Metro Line 5, and had provided total loans worth RMB 2.5 billion to the project by the end of the reporting period. The operation of Line 5 could promote green transportation in Kunming, thus reducing GHG emissions. Many residents in the surrounding areas who used to drive cars would resort to public transport

GREEN FINANCE SUPPORTING RESOURCE RECYCLING

The Kitchen Waste Treatment Project in Guang' an City plans to build two production lines, each with a design capacity of 130 tons/day. The project will incinerate solid waste for power generation, and extract salable grease from liquid waste, mainly used to produce mixed aviation oil, thus turning kitchen waste into green energy. To support the project, PSBC Sichuan Branch issued loans for sanitation service enterprises of small size. Upon its operation, this project would help to ensure food hygiene and safety, improve the city's sanitation conditions, ecological environment and urban image, and promote the harmonious development of the city's economy, ecology and society.

GREEN FINANCE SUPPORTING CLEAN PRODUCTION

Jiangxi Jiutong Carbon Co., Ltd. is mainly engaged in the production of calcined petroleum coke, belonging to the petroleum, coal and other fuel processing industry. PSBC Jiangxi Branch provided green financing credit line of RMB20 million to the enterprise, supporting its adoption of various technical retrofitting measures such as installation of gas collection devices and bag-type dust collectors, construction of a sewage treatment station, replacement of low-noise equipment, and introduction of shock absorption and sound insulation design. After a series of technical adaptations, the enterprise basically realized zero-pollution production and could turn waste into resources through recycling. Steam recycling alone could generate an annual output of nearly 180,000 tons, and the profit from steam sales is about RMB30 million. The project could not just propel pollution prevention and control, but also diversify the profit model of the enterprise.

APPLYING THE GREEN COLLATERAL POOL AND ROLLING OUT THE BOND-PLEDGED CFETS INTER-BANK DEPOSIT BUSINESS

The Bank was the first to connect to China's first standardized green collateral pool launched by China Central Depository & Clearing Co., Ltd. (CCDC) and successfully rolled out its first green bond pledged inter–bank deposit business. This is also the first application of the standardized green collateral management products in a large state—owned bank of China, representing a fruitful practice made by the Bank to promote green development. To date, the successful application of the green bond collateral pool has, on the one hand, helped small and medium–sized financial institutions reduce financing costs, revitalize the green bonds held by them, and invest in more green bond products, which would effectively lower the issuance costs of green bonds, thus creating a favorable financing environment for the green development of the real economy. On the other hand, it also reflects the Bank's adherence to the concept of green development and the exemplary role it has played in the field of green finance as a major state—owned bank to actively promote green transition of the Chinese banking industry.

GREEN SUPPLY CHAIN

With the objective of "green and sustainable development" and a thorough understanding of the entire supply chain, PSBC Fujian Branch, based on the data on the footwear and apparel supply chain such as trade background, carbon accounting and ESG, launched an innovative green loan for the footwear and apparel industry chain and granted a loan worth RMB5 million to Putian Xianglin Footwear Co., Ltd., which placed a "green" label for the traditional footwear and apparel industry in the city and helped the footwear enterprise enhance its overall operation standard and the core competitiveness.

BLUE FINANCE

PSBC Guangdong Branch actively supported the development of blue economy and provided "blue finance" services to aquaculture enterprises in Yangjiang City, Guangdong Province. Guangdong is rich in high-quality oysters, and Chengcun Oysters farmed at Hongguang Village, Chengcun Town, Yangxi County, Yangjiang City are an agricultural product with the national geographical indication. Aware that oyster farming faces a number of problems such as the long production cycle, the large initial capital investment, and the lack of effective collateral and guarantee for most farmers, the branch formulated a detailed financial support plan for the local oyster farming industry and launched exclusive products to help farmers raise funds from the source. At the same time, PSBC Yangjiang Branch in Guangdong rolled out innovative credit products and raised credit line to support the local fishery in growing bigger and stronger. As at the end of the reporting period, the branch provided revolving financing of RMB150 million to nearly 580 oyster farmers through the Chengcun Oyster Loan product.



PSBC provides financial support to the oyster mariculture project

GREEN CONSUMPTION LOANS

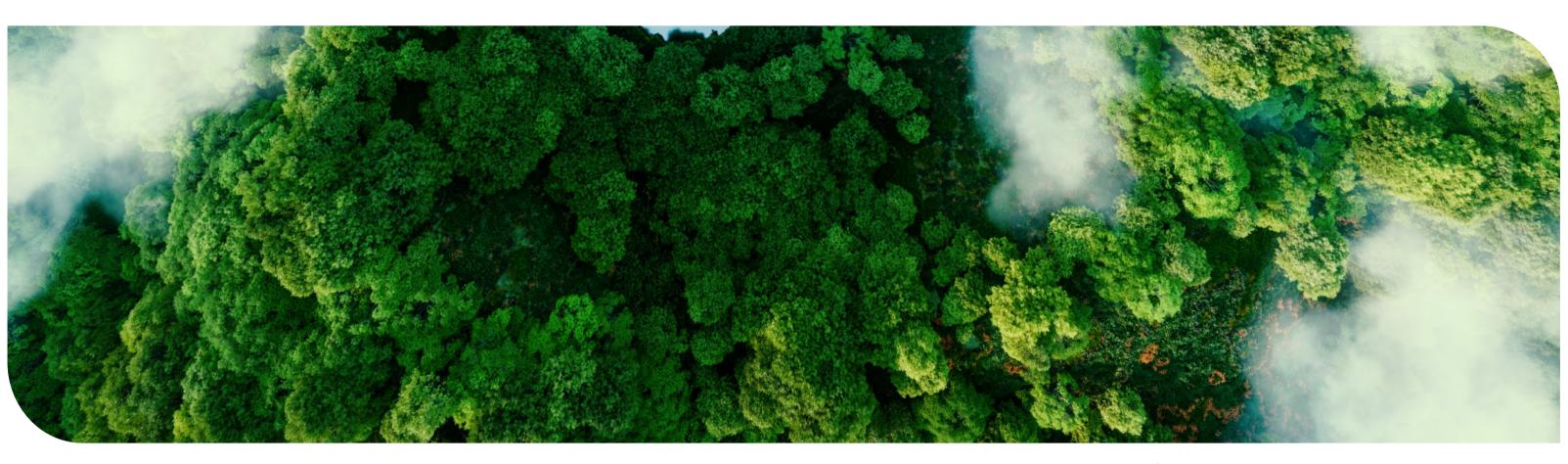
PSBC Shandong Branch integrated the idea of developing green finance into the financial services for new citizens. Focusing on the financial needs of new citizens, it launched the housing finance program exclusive for this customer group, in which new property projects meeting green building standards would be introduced with some preferential and convenient treatments within the scope permitted by policies. At the same time, the branch developed housing loans with mobile devices PAD. The use of OCR identification, online verification, electronic signature and other technologies made the business process paperless and digital. This change could improve customer experience while minimizing energy consumption.

The Bank conformed to the new energy development trend and promoted green travel among residents. By cooperating in depth with head OEMs in NEV business, the Bank rolled out interest–free loans and low–interest loans for various types of NEVs. With the help of the "PSBC–sponsored Car Purchase Season for Rural Areas" that the Bank held in a hundred cities and a thousand counties, the Bank provided residents with convenient car shopping and trial run services at their doorstep. Meanwhile, the Bank provided paperless auto loan application service using its remote auto loan processing system, which significantly improved online service capability and deepened low–carbon operation.









With the aim of building a first-class green, inclusive bank, climate-friendly bank, and eco-friendly bank, the Bank promotes the building of a green bank by carrying out GHG emission accounting, setting up green demonstration outlets, promoting green office spaces, advocating green and low-carbon lifestyle, and conducting green public-interest activities.

The Bank hired an external professional agency to make an inventory and measurement of its carbon emissions from the natural gas, coal, liquefied petroleum gas (LPG), gasoline, diesel, electric power, and heat power consumed by it from 2019 to 2022, to have a picture of its current carbon footprint, analyze the composition and possible changes of related data, and formulate a science—based targeted carbon emission reduction plan.



CARBON EMISSIONS FROM THE BANK'S OPERATIONS IN THE PAST THREE YEARS

ITEM	UNIT OF MEASUREMENT	2022	2021	2020
GHG emissions (Scope 1 and Scope 2)	10,000 tons of CO2	60.73	57.62	52.26
Per capita GHG emissions (Scope 1 and Scope 2)	Ton of CO2/person	3.37	3.23	2.94
Direct emissions (Scope 1)	10,000 tons of CO2	4.18	4.49	4.55
Petroleum	10,000 tons of CO2	3.13	3.47	3.64
Natural gas	10,000 tons of CO2	0.86	0.81	0.67
Diesel	10,000 tons of CO2	0.02	0.02	0.03
Others	10,000 tons of CO2	0.17	0.19	0.21
Indirect emissions (Scope 2)	10,000 tons of CO2	56.56	53.12	47.7
Electricity	10,000 tons of CO2	56.56	53.12	47.7

Notes

^{1.} The statistical scope of carbon accounting for the Bank's operations in the past three years covers the Head Office and units directly under it, branches, and subsidiaries.

2. GHG accounting is based on the *Greenhouse Gas Protocol*, the *General Guidelines on GHG Accounting and Reporting for Industrial Enterprises (GB/T32150-2015)*, the GHG Emission Accounting Methods and Reporting Guidelines for Public Building Operation Enterprises (Trial), the GHG Emission Accounting Methods and Reporting Guidelines for

Land Transportation Enterprises (Trial), and the Carbon Dioxide Emission Accounting and Reporting Requirements (Service Sectors) (DB11/T1785–2020).

3. Others consist of liquefied petroleum gas, coal, etc.







To implement the concept of green development, the initiative of "Green Office, Low-carbon Lifestyle" was launched by the Bank in 2022 to ensure everyone at the Bank could be conscious of taking action to save energy and cut emissions.

MADE BUSINESS GO "PAPERLESS" AND "ONLINE"

Relying on the core U–chain supply chain system developed by itself, the Bank accelerated digital transformation, launched digital processing modules such as digital review and approval, invoice cloud, big data risk control, and paperless review, and adopted specialized and intensive work flows to satisfy the "short–term, frequent and urgent" financing needs of small and medium–sized enterprises. During the reporting period, the financing amount disbursed online registered a year–on–year increase of 189%, mainly through online platform factoring, U Xin, vehicle sales financing and other digital supply chain products. The Bank fully rolled out the digital credit factory for small and micro enterprises and paperless operation mode, applied digital technologies, and explored establishing an efficient operating system featuring intensive management, standard operation and intelligent decision–making to improve service efficiency on all fronts. As of the end of the reporting period, the outstanding online loans to small and micro enterprises stood at RMB1.12 trillion, an increase of RMB403,146 million, or 56.53% from the end of the previous year. Through the comprehensive use of biometric identification, electronic seals, electronic signatures, media information interaction, and other hardware and software technologies, the Bank upgraded operation modes of its counters and self–service equipment to achieve "paperless" processing and electronic storage of business handling, return receipts, and statement generation, thus practicing the concept of green and low–carbon operation.

THE BANK LAUNCHED PSBC MOBILE BANKING APP 8.0

Built on precise geographical location, rich scenarios and strong digital and intelligent capabilities, the App supports personalized recommendations of products and services, and aims to create a digital ecosystem of personal services. Leveraging blockchain technology, the App presents digital products and supports innovation in financial products and services. Besides, it increases the limits of amounts transferred via mobile banking, and simplifies the transfer between low–risk accounts. As of the end of the reporting period, the number of mobile banking users reached 344 million, including over 49 million monthly active users (MAU), and the amount of transactions reached RMB14.65 trillion, up 12.35% year on year.

ONLINE BANKING

The Bank further strengthened the personal online banking services by improving the features of products like wealth management, fund and insurance and optimizing services like transfer and batch agency payment to create a better customer experience. The corporate online banking was upgraded to version 3.0, refining function details related to customer experience with the aim to deliver the best customer experience through technology empowerment. As of the end of the reporting period, the Bank had more than 1.15 million corporate online banking users, representing an increase of 29.37% over the end of the previous year. Effective corporate online banking users accounted for 89.80% of the total corporate customers, representing an increase of 5.04% compared with the end of the previous year. The transaction amount reached RMB12.81 trillion, representing a year–on–year increase of 31.28%.

CREDIT CARD APP

The Bank launched the PSBC Credit Card App 4.0. Under the Bank's "Gemini" strategy for personal financial services, the App, designed to be customer–centric, introduced new features like big–font interfaces, service hall, and QR–based application for installments at shops, to deliver better customer experience. Besides, it added functions like a section of brand benefits and activity calendar countdown reminder, concentrated on marketing development of consumer consumption scenarios, and improved the display effects of local activities, so as to reach and acquire customers through online channels precisely. As of the end of the reporting period, the number of PSBC Credit Card App users reached 16,609.2 thousand, an increase of 117.62% from the end of the previous year, and 18,091.5 thousand credit cards were linked to the App, an increase of 100.29% over the end of the previous year. PSBC Credit Card App is among banking apps with over 10 million users.



IN 2022, THE HEAD OFFICE OF PSBC WAS JOINTLY CERTIFIED BY THE BEIJING SOCIAL ENTERPRISE QUALITY ASSOCIATION, THE BEIJING SOCIETY OF ENERGY, AND THE BEIJING SOCIETY FOR ENVIRONMENTAL SCIENCE AS A "PROMOTER OF GREEN BUILDING OF BEIJING"

According to the Energy Consumption Indicators of Civil Buildings in Beijing (DB11/T1413–2017), the Head Office building saw its average heat consumption per unit floor area, power consumption per unit floor area, gas consumption per unit floor area, and comprehensive energy consumption per unit floor area all met the current value requirements, of which the heat consumption per unit floor area was 11%, better than the target value. In strict compliance with the energy consumption limits prescribed by the State, the Head Office passed, with a rating of "Excellent", the energy–saving appraisal conducted by the Development and Reform Commission of Xicheng District, Beijing in 2022.

GUIDED BY THE "DUAL CARBON" GOALS, THE BANK CAST A BRAND OF GREEN SUB-BRANCHES.

During the reporting period, it rated 25 sub-branches as demonstration outlets of green office of 2022 in terms of green credit development environment, hardware facilities, and management foundation, with the aim of peaking carbon emissions in its operations and investment & financing activities. Outlets of the Bank held lectures on green finance and spread knowledge of green finance through micro salons, micro classes, etc. They built caring service counters and PSBC Care Station, renewable resources recycling sites, placed posters on energy conservation and emission reduction, set up a green finance corner, and placed table signs of energy conservation & emission reduction and green finance, to advocate recycling of renewable resources, reduce waste, and increase cyclic utilization of resources.

LIST OF DEMONSTRATION OUTLETS OF GREEN OFFICE IN 2022

S/N	BRANCH	OUTLET	S/N	BRANCH	OUTLET
1	Zhejiang	Qiantang Sub-Branch in Hangzhou City	14	Jiangsu	Hongze Sub-Branch in Huai' an City
2	Zhejiang	Tianhuangping Town Sub-Branch in Anji County	15	Guizhou	Shuicheng District Sub-Branch
3	Zhejiang	Xianju County Sub-Branch	16	Shanxi	Xinjian South Road Sub-Branch in Taiyuan City
4	Jiangsu	Dafeng Sub-Branch in Yancheng City	17	Heilongjiang	Youyi County Sub-Branch
5	Fujian	Jiangle County Sub-Branch	18	Anhui	Dangtu County Sub-Branch
6	Hubei	Business Department of Shiyan City Branch	19	Guangdong	Changpo Carbon-neutral Sub-Branch in
7	Shandong	Shewopo Sub-Branch in Qixia City	10	dualiguorig	Gaozhou City
8	Sichuan	Shawan Sub-Branch in Chengdu City	20	Ningxia	Pingluo County Sub-Branch
9	Shandong	Gaoxin Sub-Branch in Ji' nan City	21	Hunan	Xinshao County Sub-Branch
10	Hubei	Business Department of Huanggang City Branch	22	Henan	Yingbin Avenue Sub-Branch in Shenqiu County
11	Shenzhen	Business Department of Qianhai Branch	23	Beijing	Yaojiayuan Road Sub-Branch in Chaoyang District, Beijing
12	Heilongjiang	Xiaoshizi Street Sub-Branch in Shanhe Town, Wuchang City	24	Sichuan	Shengli Road Sub-Branch in Xichang City
13	Fujian	Xinluo District Sub-Branch in Longyan City	25	Qingdao	Business Department of Qingdao Branch

THE BANK ESTABLISHED AND IMPROVED THE ENERGY CONSUMPTION MONITORING MECHANISM AND TECHNOLOGY SYSTEM AT ITS DATA CENTERS.

It realized intelligent control of energy consumption at data centers through a next–generation dynamic environment monitoring system and AI energy efficiency management. Meanwhile, it strengthened refined operation maintenance management and continued to optimize the energy use of air conditioners through group control. The Bank intensified the concept of being green in the design, purchase and construction of the new machine room in Hefei, using solutions like PV power, natural cooling, waste heat recovery, etc. to save energy and cut emissions.





COLUMN: BUILDING GREEN DATA CENTERS TO CONTINUOUSLY FULFILL SOCIAL RESPONSIBILITIES FOR ENERGY CONSERVATION, EMISSION REDUCTION, AND SUSTAINABLE DEVELOPMENT

The Bank has actively responded to the call of the central government and regulatory agencies for building green data centers, embarked on a green development path of high efficiency, low carbon, intensive operation, and resource recycling, and embraced new technologies represented by the Internet of Things (IoT) and artificial intelligence (Al). It continuously carried out green operation and maintenance and did everything possible to save energy, and built green, efficient, intelligent, and advanced intelligent data centers.

The Bank's Hefei data center was recognized as the "National Green Data Center of the Year 2020", an award jointly sponsored by the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Commerce, the National Government Offices Administration, the former China Banking and Insurance Regulatory Commission (CBIRC) (now known as the "National Administration of Financial Regulation") and the National Energy Administration.

GREEN DESIGN FOR ENERGY CONSERVATION AND EFFICIENCY ENHANCEMENT

The Data Center of the Bank adopted highly efficient infrastructure products and solutions. Specifically, the electrical system is designed to reduce line losses, and the heating, ventilation, and air conditioning (HVAC) system adopts energy–efficient water–cooled air conditioning and natural cooling solutions. A sophisticated monitoring system is available to conduct statistical analysis of energy and other resources consumed, providing necessary data for energy–efficient operation and maintenance. A data center in its early stage could save about 1.976 million kWh of electricity per year.

CONTINUOUS OPERATION AND MAINTENANCE FOR ENERGY CONSERVATION AND PERFORMANCE TUNING

As the IT load increases, the Bank's data centers strengthen refined operation and maintenance management, and keep tapping the energy–saving potential of the cooling system according to load changes and operation patterns. For the purpose of reducing energy consumption constantly, a host of measures have been adopted to save electricity of 1.135 million kWh a year, which include cutting the energy consumption of air conditioners by switching to the energy–saving mode in which the rotational speed of the compressor is decreased, switching from the "single–machine high–frequency" to "dual–machine low–frequency" operation mode through the secondary pump to enter a better energy efficiency range, and adjusting the operation mode of cooling storage tanks to reduce the loss of cooling capacity.

INTELLIGENT CONTROL OF ENERGY CONSUMPTION

Al technology was introduced to establish the Al energy efficiency management system, where Al algorithms such as machine learning could be used to adjust the operation parameters of air—conditioning equipment in real time, with a view to gradually realizing global optimal control and going further in energy saving and emission reduction.

COLUMN: PSBC WEALTH MANAGEMENT REALIZED CARBON NEUTRALITY IN OPERATION

PSBC Wealth Management Co., Ltd. launched the action of carbon neutrality in operation in 2022 and invited a professional institution to calculate and inspect the GHG emissions produced during operation in 2021. The carbon accounting involved direct GHG emissions from escape of air conditioner refrigerants and use of official cars, indirect GHG emissions produced by electric power and heating power, and other indirect GHG emissions produced by employees' business travel, commuting and consumption of office supplies. PSBC Wealth Management Co., Ltd. fully offset carbon emissions by purchasing CCER and it obtained the Carbon Neutrality Certificate after passing the carbon neutrality review by the Beijing Green Exchange.



GREEN PROCUREMENT

Green procurement is implemented from institutional design, process requirements, standard formulation, and other aspects, and moves are adopted to make sure priority is given to procuring green and low–carbon products.

- 1. The Bank required that it is necessary to follow the principles of openness, fairness and justice, give priority to energy–saving and environment–friendly products and green–labeled products, and meet the requirements of green packaging and green transportation in the procurement process.
- 2. Throughout the whole procurement process, the Bank urged suppliers to fulfill environmental responsibilities, and listed suppliers' fulfillment of such environmental responsibilities as environmental protection practice and environmental management, as an important evaluation indicator in business steps including supplier qualification access, business scoring, agreement signing, and post—evaluation.
- 3. The Bank always required suppliers to sign and perform the *Agreement on Energy Conservation, Emission Reduction, and Green and Eco–friendly Development*. During the reporting period, it signed about 130 agreements, a move that prompted suppliers to jointly perform their social and environmental responsibilities.



GREEN PUBLIC-INTEREST ACTIVITIES

PUSHED FORWARD PSBC LOVE CHARITY PROGRAM

The year 2022 marked the fifth anniversary of the founding of the PSBC Love Charity Program. Keeping in mind its original aspiration, the program continued to pay attention to education, and provided education funding and talent growth support to students, actively contributing to society. During the reporting period, it carried out a number of public–interest activities such as PSBC Love Class of Self–Commitment, PSBC Love Scholarship, PSBC Love Parcel, and PSBC Love Sports Classroom to provide support for students in difficulty and rural students, showing the Bank's care for vulnerable groups in society.

CONTINUOUSLY CONSOLIDATED THE RESULTS OF THE "EVERYONE PLANTS A TREE" VOLUNTARY TREE-PLANTING CAMPAIGN

The Bank continued to carry out tree—planting activities through various forms of organization, both online and offline. In 2022, it planted 196,000 trees offline and carried out online tree—planting activities, which amounted to the donation of 13,800 trees.





IMPROVED THE COMPREHENSIVE SERVICE LEVEL OF ONLINE AND OFFLINE CHANNELS

The Bank strengthened care for special customer groups, building outlets with sign language service and outlets featuring other barrier–free services. At the same time, it streamlined the procedures of counter services and self–service devices at outlets, which improved interactive experience and made business handling more efficient. PSBC Care Station was set up at outlets as a space where citizens could take a rest, drink water, heat meals, recharge mobile phones, and gain knowledge about inclusive finance, and where human–oriented and barrier–free services are tailored for special customer groups and maternal and child services are also available. The station could also offer caring services to outdoor workers, including delivery men, sanitation workers and construction workers, rendering a space where they can rest when tired, refill water bottles when thirsty and get umbrellas on rainy or snowy days.







To improve the green finance research mechanism, strengthen the collaboration between the Head Office and branches and among front, middle, and back offices, and focus on green economy and low–carbon economy, the Bank strengthened the research on key green industries, and enhanced the ability to carry out forward–looking research on green industries. Future–oriented, it strengthened the application of industry research results in a wide range of fields such as customer marketing, review and approval, credit policy, and risk management, to enhance the foresight and effectiveness of risk management and spearhead the high–quality development of green finance business.

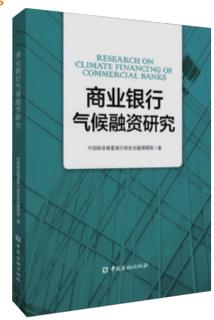
FORWARD-LOOKING RESEARCH

Research on Climate Financing for Commercial Banks

Published by China Financial Publishing House, this paper focuses on climate finance of commercial banks. It explores the path that commercial banks could take to support climate financing from the perspectives of theory, policy, practice, etc. and puts forward some targeted policy suggestions for commercial banks to develop climate finance.

Research on Low Carbon Transition Path for Commercial Banks under the Carbon Neutral Goal

This research project was approved by the Climate Investment and Finance Association (CIFA) of the Chinese Society for Environmental Sciences. Based on the theoretical analysis of "carbon–neutral" banking, it proceeds from the practices of domestic and foreign banks to propose a low–carbon transition path for China's banking institutions, that is, accelerating the construction of "carbon–neutral" banks.



Active Exploration of Just Transitional Finance for Commercial Banks

This paper was published in *China Banking* (Issue 2 in 2023). As a major type of financial institution in China, commercial banks should play an important role in supporting the just transition and developing the just transitional finance. To explore the development of just transitional finance, better support the just transition, and achieve the "dual carbon" goals in a progressive and orderly manner, they should carry out in–depth research on just transition and just transitional finance, establish a complete set of supporting policies for just transition, integrate just transition into the ESG management system of commercial banks, and establish an ecosystem of just transitional finance.

Practices and Suggestions for Digital Transition to Empower Development of Green Finance Business by Commercial Banks

This paper was published in Financial Perspectives Journal (Issue 12 in 2022). Starting from the needs of green finance business for digital transition, it takes PSBC as an example to introduce the concrete practices and experiences of how commercial banks have empowered the development of green finance business through digital transition, analyze the difficulties and challenges faced in the process of digital transition, and recommend that commercial banks can actively explore the close integration of risk management with green finance business development to achieve remarkable results in both fintech and green finance development.

Research on Strategies of Commercial Banks for Coping with Methane Emission Control under the "Carbon Peak and Carbon Neutrality" Goals

This paper was published in *Rural Finance Research* (No. 11 in 2022). Commercial banks would play a crucial role in supporting methane control through market–based means. To this end, they are recommended to do the following, optimizing the green finance system, setting out the key directions and areas in which green finance should be concentrated, strengthening the incentive and disincentive mechanisms, enhancing green and low–carbon awareness, advocating green office spaces, green operations, and environmental public–interest activities, and intensifying the training of climate financing professionals.

Research Report on Financial Support for Low-carbon Economic Transition under the "Dual Carbon" Goals (Hunan Branch)

PSBC Hunan Branch undertook a major research project titled "Green Finance Helping Green Transformation" as commissioned by the provincial CPPCC in cooperation with the PBOC Changsha Central Sub-Branch, provincial peer banks, and internal institutions of the Bank. Under the project, the branch distributed questionnaires to 232 enterprises in 14 cities and autonomous prefectures in Hunan, and paid field visits to 203 enterprises to obtain first-hand information. At the same time, it also made a comparative analysis of nearly 400 surveyed enterprises in Guangdong, Jiangsu, Shanxi, Shaanxi, and other provinces. The gathered information and survey findings were compiled into the research report, which was sent by the provincial CPPCC to the CPC Hunan Provincial Committee and the Hunan Provincial People's Government as well as the Economy and Science Committee of the CPPCC National Committee in the form of a special report.

ESG-based Empirical Research on Credit Risk of Credit Customers (Hunan Branch)

Taking listed companies and their subsidiaries as samples and using external ESG data, this research project carries out an empirical study on the correlation between ESG performance and credit risk of credit customers and on this basis proposes incorporating ESG risk management into the comprehensive risk management system as a countermeasure. It won the first prize of the 2022 Research Projects selected by Hunan Finance Society.

Impact Evaluation of How Green Finance Policies Promote Green and Low-carbon Development of the Economy (Guangdong Branch)

PSBC Guangdong Branch, along with School of Finance of Guangdong University of Foreign Studies, Guangzhou Rural Commercial Bank, and Guangdong Southern Institute of Financial Innovation, contributed to the paper, which evaluates the impact of China's green finance policies, analyzes the characteristics and problems of these policies, and puts forward targeted suggestions. This paper won the third prize of the 2022 Green Finance Research Programs selected by the Finance Committee of Guangdong Society for Finance and Banking (GDGFC).

Analysis of and Suggestions on the Path to Building Carbon Neutral Banks – Take PSBC Zhejiang Branch as an Example (Zhejiang Branch)

Focusing on PSBC Huzhou Branch, this research program constructs a model of carbon emission accounting to measure and analyze the carbon emissions from the branch's operation activities and investment & financing activities from 2019 to 2021, and then offer suggestions and prospects in light of the current explorations for carbon neutral banking. At the same time, the carbon–neutral outlet construction of PSBC Tianhuangping Town Branch in Huzhou City set a good example and provided useful experience in building carbon neutral banks.

Research on Carbon Sink Financing Model of Commercial Banks (Fujian Branch)

After examining the development course of forestry carbon sink and marine carbon sink, this research project proceeds from the actual conditions of Fujian Province, especially its forestry and marine conditions, to expound the favorable conditions and status quo of the province in developing forestry and marine carbon sink, forestry situation and marine situation, analyze the main problems commercial banks now face in providing financial support for agricultural carbon sink, and put forward suggestions for enhancing the ability and level of commercial banks to finance the development of forestry and marine carbon sink.





■ INDUSTRY STRATEGY RESEARCH

During the reporting period, the Bank undertook research on a number of industries and fields such as clean energy industry, green agriculture, environmental governance, and chemical transformation. It also made more refined explorations in sub–sectors of some key sectors, such as chemical energy storage, charging piles, lithium batteries, hydrogen energy, and county–wide solar PV power generation, generating an abundance of research results. Based on the above–mentioned research, the Bank strengthened science–based guidance for practices. Specifically, it issued the *Corporate Finance Marketing Guidelines for EOD–based Environmental Governance Projects*, exploring how to bring environmental management projects and resource and industrial development projects under integrated development; it issued the *Sustainability–linked Finance Business Guidelines of Postal Savings Bank of China* in search of ways to develop sustainability–linked loans, sustainability–linked bonds and sustainability–linked factoring business; and it issued the *Comprehensive Financial Service Solutions for Large Wind and Solar PV Power Generation Base Projects* to increase financial support and service capacity for large wind power and solar PV power generation bases.











HONORS AND AWARDS

2022 AWARDS AND HONORS	INSTITUTIONS
Advanced Unit in Green Bank Evaluation	China Banking Association
2022 Best Practice Case for ESG of A-share Listed Companies	China Association for Public Companies
2022 Business Development Quality Evaluation of CCDC Members: Socially Responsible Organization of Guarantee Business	China Central Depository & Clearing Co., Ltd.
Model Case of Carbon Peaking and Carbon Neutrality Action in 2022	China Business Executives Academy, Dalian
"Best ESG" in the sector of banks and non-bank finance in Asia on the "2022 Asia Executive Team" rankings	Institutional Investor
Outstanding Green Finance Institution	Hong Kong Commercial Daily
Top 10 Green Finance Innovations	The Chinese Banker
Sustainable Development Benefits Award	Caijing Magazine
2022 Excellent Case of the EY Sustainable Development Awards of the Year	Ernst & Young
Green Finance Pioneer Award	Cailian Press











APPENDICES

Appendix I: Index of the Guidelines for Environmental Information Disclosure by Financial Institutions issued by the PBOC

INDICATOR	CONTENT	PAGE
Environment-related	a) Information on the green finance–related committee set up at the board level, environment–related strategic objectives of the institution set by the committee, the analysis and assessment of Environment–related risks and opportunities, and the management, supervision and discussion of environment–related issues.	09–10,19–20
governance structure of a financial institution	b) Information on the green finance-related management position or internal body set up at the senior management level, the main responsibilities and reporting lines of such management position or internal body.	12–16
	c) The status and effectiveness of the green finance-related work done at the specialized department level within the scope of departmental duties.	15–16, 35–52
	a) The internal management documents developed by the financial institution related to the environment, especially the new policies and initiatives implemented during the reporting year.	23–26
Environment-related policies and systems for a financial institution	b) The implementation of relevant environmental laws, regulations, policies, and standards in the country/region where it is located.	23–26、29–32
	c) Compliance with and adoption of international conventions, frameworks and initiatives on climate and environment related to the financial institution.	04
Environment-related product and service innovation of a financial	a) Information on the innovative products and services of green finance developed by the financial institution. Take credit products for example: the information items disclosed may include but be not limited to the product name, scope of availability, innovative design (source of repayment, target of issuance, interest rate, term, use, etc.), operation mode, and operation status.	35–52
institution	b) Environmental and social benefits produced by green product innovations made by the financial institution.	41–52
Environmental risk management process for	a) Process for identifying and assessing environment-related risks.	29–32
a financial institution	b) Process for managing and controlling environment-related risks.	19–20, 29–32
Impact of environmental factors on a financial	a) Environmental risks and opportunities for the financial institution.	31
institution	b) Quantitative analysis of environmental risks made by the financial institution.	31–32
Impact of investing and financing activities by a	a) The impact on the environment arising from the investing and financing activities of a commercial bank.	36,41–42
financial institution on the environment	b) Measurement and expression of how environmental risks impact the investing and financing activities of the financial institution.	36,41–42

INDICATOR	CONTENT	PAGE
	a) Direct GHG emissions and natural resource consumption generated by the financial institution in its operating activities.	55-56
Impact of operating activities by a financial	b) Indirect GHG emissions and natural resource consumption generated by the products or services purchased by the financial institution.	55-56
institution on the environment	c) Environmental benefits resulting from the environmental protection measures adopted by the financial institution.	55-56
	d) Quantitative measurement of the environmental impact produced by operating activities.	57-60
	a) Examine and verify the quality of the institution's environmental statistics on a regular basis, establish data management systems and processes, further improve the quality of relevant basic data, and ensure the timeliness and accuracy of data and information disclosed to the public.	26
Data sorting, verification, and protection	b) Adopt appropriate technical means to ensure data security and protect the rights and interests of data owners.	26
	c) Develop contingency plans and take timely measures for possible data security incidents or accidents.	26
Green finance innovation	a) Cases of green finance-related innovation practices.	47-52
and research results	b) The research programs conducted at home and abroad about green finance, environmental risk analysis, as well as their results and future prospects.	63-65
Other environment-related information		





→ Appendix II: TCFD Recommendation Framework Index

INDICATOR	CONTENT	PAGE
Governance	a) Describe the Board of Directors' monitoring of climate-related risks and opportunities	09–11
	b) Describe the role of the management in assessing and managing climate-related risks and opportunities	11–16
Strategy	a) Describe the short, medium and long-term climate-related risks and opportunities identified by the organization	30
	b) Describe the impact of climate-related risks and opportunities on business, strategy and finance of the organization	19–20,30
	c) Describe the strategic adaptability of the organization, taking into account different climate–related scenarios (including scenarios with a temperature of 2°C or lower)	31–32
Risk management	a) Describe the process of identifying and assessing climate-related risks by the organization	29–32
	b) Describe the process of managing climate-related risks by the organization	29–32
	c) Describe how to integrate the process of identification, assessment and management of climate-related risks with the comprehensive risk management of the organization	29–32
Metrics and targets	a) Disclose metrics used by the organization in the assessment of climate-related risks and opportunities according to its strategies and risk management processes	30–32
	b) Disclose direct (Scope 1) and indirect (Scope 2) GHG emissions, other indirect GHG emissions (Scope 3) (if applicable) and related risks.	35–36,55–56
	c) Describe targets used by the organization in managing climate-related risks and opportunities and the fulfillment of such targets	19–20

NOTES TO THE REPORT

1. SCOPE

Organization scope: This Report covers the Head Office of Postal Savings Bank of China Co., Ltd., branches and institutions under its administration, and subsidiaries. "Postal Savings Bank of China", "PSBC", or "the Bank" in this Report refers to "Postal Savings Bank of China Co., Ltd."

Time span of this Report: January 1, 2022 to December 31,2022. Since this Report is the first environmental information disclosure (TCFD) report issued by the Bank, part of the content may exceed the above—mentioned time span.

2. REFERENCE FOR PREPARING THIS REPORT

This Report is prepared with reference to the views and guidelines of the *Recommendations of the Task Force on Climate-related Financial Disclosures* by the TCFD of the Financial Stability Board (FSB), the United Nations Principles for Responsible Banking (PRB), the *Guidelines for Environmental Information Disclosure by Financial Institutions* issued by the PBOC, the *Guidelines for Environmental Information Disclosure of Listed Companies* issued by Shanghai Stock Exchange, the *Environmental, Social and Governance Reporting Guide* issued by the Stock Exchange of Hong Kong Limited, and the *GRI Sustainability Reporting Standards* (GRI Standards) issued by the Global Sustainability Standards Board (GSSB).

3. DATA

Data used in this Report are mainly from 2022, some of which may exceed the aforesaid time span. Most of the data in this Report are excerpted from the internal documents and relevant statistics of the Bank.

4. PUBLICATION

This Report is released in electronic format, which can be downloaded from the Bank's official website (https://www.psbc.com/en/investor_relations/social_responsibility/).