



## **2023** Environmental Information Disclosure (Green Finance) Report

Green world, better life





## 01 Foreword

02 Governand	ce
BOARD OF DIRECTORS	11
BOARD OF SUPERVISORS	13
SENIOR MANAGEMENT	14
WORK MECHANISM	17

# OO3StrategyVISION21MAIN OBJECTIVES21KEY TASKS22



05 Risk Management

OPERATIONS

INTERNAL AUDIT

ENVIRONMENTAL (CLIMATE, SOCIAL<br/>AND GOVERNANCE RISK MANAGE-<br/>MENT FRAMEWORK31DEVELOPMENT OF THE ENVIRONMENTAL<br/>AND CLIMATE RISK DATABASE32IDENTIFICATION AND ASSESSMENT<br/>OF CLIMATE RISKS33QUANTITATIVE ANALYSIS OF<br/>ENVIRONMENTAL RISKS34

34



GREEN BONDS	38
ESG INDEX	39
STATUS OF ENERGY-INTENSIVE INDUSTRIES WITH HIGH EMISSIONS AND OVERCAPACITY	39
INNOVATION IN GREEN FINANCIAL PRODUCTS AND SERVICES	41
CASE STUDIES OF GREEN FINANCE	48

07	Green and Low-Carbon Operations	
GREEN OPERATIONS	59	
GREEN OFFICES	63	
GREEN PROCUREMENT	65	
ENVIRONMENTAL ACTIV PUBLIC WELFARE	VITIES FOR 65	



IMPROVING THE DATA SECURITY	69
GOVERNANCE FRAMEWORK	
IMPROVING THE DATA SECURITY	69
MANAGEMENT SYSTEM	
PROMOTING DATA CLASSIFICATION, GRADING AND MANAGEMENT	70
GRADING AND MANAGEMENT	

STRENGTHENING DATA SECURITY AND PRIVACY PROTECTION MEASURES	70
STRENGTHENING RISK MONITORING AND CONTROL	71
FOSTERING A DATA SECURITY AND COMPLIANCE CULTURE	71
STRENGTHENING SYSTEMS' DISASTER RECOVERY AND BUSINESS CONTINUITY ASSURANCE CAPABILITIES	72



FORWARD-LOOKING STUDIES	75	
INDUSTRY-SPECIFIC STRATEGY STUDY	76	

10 Honors Aw	and ards
HONORS AND AWARDS	79
Append	ices
APPENDIX 1: INDEX OF THE GUIDELINES ON ENVIRONMENTAL INFORMATION DISCLOSURE FOR FINANCIAL INSTITUTIONS	83
APPENDIX 2: UN PRINCIPLES FOR RESPONSIBLE BANKING (PRB) REPORT AND SELF-ASSESSMENT	84
APPENDIX 3: INDEX OF THE FORMER TCFD RECOMMENDATIONS	89









China is an active advocate and important participant in global efforts to address climate change. In 2020, China made a solemn commitment to promote the major strategic decision of peaking carbon dioxide emissions and achieving carbon neutrality. The report to the 20th National Congress of the Communist Party of China (CPC) points out that promoting green and low-carbon development of the economy and the society is key to achieving high-quality approximately development. The 2023 Central Financial Work Conference clearly identified "green finance" as one of the five priorities for building China into a financial powerhouse.

Developing green finance is not only an objective need to build a community with a shared future outlets for mankind and promote harmonious coexistence between man and nature, but also an inherent requirement for commercial banks to serve the low-carbon transition and achieve high-quality development. Postal Savings Bank of China supports the United Nations' Sustainable Development Goals (SDGs) for 2030 and the Paris Agreement, actively benchmarks against international standards, and adopts the Principles for Responsible Banking (PRB). The Bank has joined the United Nations Environment Programme Finance Initiative (UNEP FI). It signed the Serving over United Nations Sustainable Blue Economy and Finance Initiative, being the first major state-owned commercial bank in China to do so. The Bank has been thoroughly applying the new development philosophy, actively implementing national strategies, driving reform and innovation on all fronts, strengthening the "major capabilities in six aspects", and firmly fulfilling personal customers its social responsibilities and political obligations as a major state-owned bank. At present, the Bank has approximately 40 thousand outlets and serves more than 660 million personal customers. Positioned as a bank serving Sannong customers, urban and rural residents and small and medium-sized enterprises (SMEs), and relying on a unique model of "directly-operated outlets + agency outlets" and resource endowment, it is committed to providing services to the most dynamic customer groups in China's economic transformation. The Bank adheres to the retail banking strategy, serves the real economy, and accelerates the transformation into a new-type retail bank featuring data-driven development, multi-channel coordination, wholesale and retail integration, and efficient operation. The Bank boasts excellent asset quality and significant growth potential, and is a leading large-scale retail bank in China. Over the 17 years since its establishment, the Bank's market position and influence have continued to grow and become increasingly prominent. It has been rated A+ and A1 by Fitch Ratings and Moody's Investors Service, respectively, the same as China's sovereignty credit ratings. It has been rated A by S&P Global Ratings, AAAspc by S&P Global (China) Ratings, and AAA by CCXI. In 2023, the Bank ranked 12th in The Banker's list of "Top 1000 World Banks" in terms of tier 1 capital.

The Bank has 40 thousand

660 million



As at the end of the reporting period

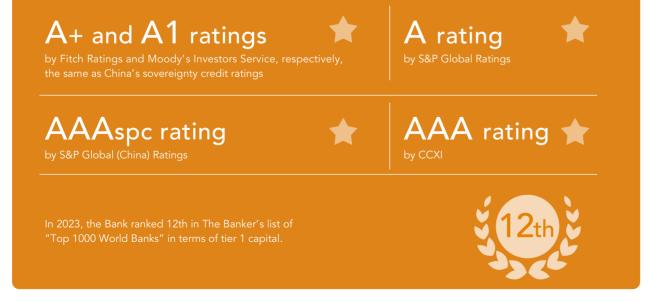


green loan balance

Α

The Bank was awarded the "Advanced Organization in Green Bank Evaluation" again by the China Banking Association, and rated A by MSCI's ESG Ratings for the third consecutive year.





### 2023 Environmental Information Disclosure (Green Finance) Report

Increase of 28.46% over the prior year-end





#### $\mathscr{L}$ Strengthening top-level design and the leading role of strategies.

The Board of Directors assumes the primary responsibility for green finance, and incorporates the goals of reaching peak carbon emissions and achieving carbon neutrality and green banking development in the Outline of the 14th Five-Year Plan of the Bank. Following the "5 plus 1" strategy, it has elevated green finance to the strategic level, vigorously supported the green, low-carbon and circular economy and facilitated the building of a beautiful China. The Bank has formulated and implemented an action plan to achieve the goals of reaching peak carbon emissions and achieving carbon neutrality, and proposed the goal of building a green and inclusive bank, a climate-friendly bank, and an eco-friendly bank. The Head Office, branches and majority-owned subsidiaries have established the green finance leading groups for peaking carbon emissions and achieving carbon neutrality. In order to thoroughly implement the guiding principles from the Central Financial Work Conference and ensure the sound development of green finance as one of the five priorities, the Bank has formulated and issued the Green Finance Work Plan of Postal Savings Bank of China.

#### Introducing new products and services and increasing support for green investment and financing

Adhering to its strategic positioning and leveraging its advantages of funds and outlets, the Bank has developed and promoted green and inclusive financial products tailored to SMEs, urban and rural residents and farmers in such key areas as pollution prevention and control, energy conservation and environmental protection, as well as ecological agriculture, and actively propelled the integrated development of green finance and inclusive finance. It promoted green finance and climate-friendly finance products such as micro loans for photovoltaic power generation equipment, small hydropower loans, emissions control loans, loans pledged by the garbage charging rights, loans pledged by future income rights of contracted energy management projects, and e-loans for technological innovation. It fully leveraged online products such as PSBC E Discount, Rural E Discounting, Smart Instant Discount, and Green G Discount, etc. to expand the service radius and enable customers to benefit from carbon reduction activities.

#### ③ Accelerating the digital transformation and strengthening ESG risk management

The Bank has incorporated ESG requirements into the entire credit management process. It took the lead in working with the Institute of Public & Environmental Affairs (IPE) to integrate environmental data from the Blue Map into PSBC "Jinjing" (Gold Eye) credit risk monitoring system, so as to facilitate the Bank's digital transformation of environmental and climate risk management. It carried out climate risk sensitivity stress testing, special inspections on ESG and climate risks, and special audits on green credit. The Bank was rated A by MSCI's ESG Ratings for the third consecutive year, and awarded the Best ESG Practice Case of Public Companies in 2023 and the Model Case of Digital Transformation of Public Companies in 2023 by China Association for Public Companies. Its research project "Financial Exploration for Justice Transition by Commercial Banks" won the "Tianyi Award - the Award of Excellent Practice in ESG Risk Management".

#### $\bigcirc$ Strengthening cooperation and exchanges and enhancing professional capabilities

PSBC has actively participated in the seminars and exchange activities organized by the Ministry of Ecology and Environment, the People's Bank of China, the National Financial Regulatory Administration, the China Banking Association, universities, and research institutions. It also participated in the teaching material compilation and research of topics organized by the China Banking Association, the Green Finance Committee of the China Society for Finance & Banking, and the China Carbon Neutral Action Alliance. It engaged in professional cooperation with International Finance Corporation (IFC), a strategic investor, and gained insights and experience from leading international green finance institutions. The Bank completed the pilot project of comprehensive application of financial data of Beijing Municipal Branch of the People's Bank of China – Green Credit Service Based on Big Data Technology, and explored effective ways to solve the problem of environmental information asymmetry in current green finance market transactions.

#### $\bigcirc$ Cultivating the green development philosophy and deepening low-carbon operations

The Bank completed the inventory of carbon emissions of its own operations for the period of 2019-2023, laying a data foundation for achieving the "dual carbon" goals. To drive energy conservation, emissions reduction and green transformation, 36 tier-1 branches and majority-owned subsidiaries have signed letters of responsibility on ecological and environmental protection. The Bank implemented the concept of green development, issued a "Green Office, Low-carbon Lifestyle" initiative, promoted green office practices, and advocated for green transportation. It continued to build specialized institutions of green finance and promoted the "PSBC Care Station". The Bank launched a personal pension section on the mobile banking app and moved faster to build a "digital ecosystem-based bank".

#### ( Strengthening information disclosure and accepting supervision from all parties

The Bank discloses information in accordance with laws and regulations, and proactively expands the depth and breadth of voluntary disclosure. It releases annual reports, interim reports, and corporate social responsibility (environmental, social and governance) reports as scheduled. It released its first Environmental Information Disclosure (TCFD) Report in May 2023, comprehensively showcasing its practices and achievements in green banking and environmental and climate risk management. By organizing results presentations and roadshows, attending summits, and hosting survey visits, the Bank fully communicated its environmental, social and governance (ESG) performance to the market, and readily accepted supervision from stakeholders, strengthening two-way interaction. It benchmarked against international standards, adopted the PRB, joined the UNEP FI, and signed the United Nations Sustainable Blue Economy Finance Initiative.

Looking into the future, the Bank will continue to uphold the concept of green development, actively explore transition finance and just transition, shoulder social responsibilities, and take firm steps to protect the "lucid waters and lush mountains" with the power of finance. It will use PSBC green to draw a beautiful picture of "Green World, Better Life", cultivate a solid foundation for green and high-quality development, continue to improve the green financial service system, and ensure the sound development of green finance.





## 2017

- 1 \$\$\$\$ Issued the Green Credit Development Plan of Postal
   I Savings Bank of China.
- 2 of The Head Office and branches set up leading groups for green bank development.
- 3 d Carried out the first special inspection on environment-related risks in credit business.

## 2018

- 1 Issued the Three-Year Plan for Strengthening the Green Bank Development of Postal Savings Bank of China.
- 2 9 Issued the Measures of Postal Savings Bank of China for
   I Environmental and Social Risk Management.
- 3 O Issued the Guiding Opinions 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 Green Office-related Work by Departments in the Head Office.

## 2019

- <sup>1</sup> Formulated the Outline of the Medium and Long-term
   <sup>1</sup> Development Strategy of Postal Savings Bank of China
   (2019-2025) which clearly stipulates that the Bank shall
   "adhere to the green development philosophy, actively
   develop green finance, vigorously support green,
   low-carbon and circular economy, and facilitate the
   building of a beautiful China".
- 2 ob Issued the Implementation Measures of Postal Savings Bank of China for Green Procurement.
- 3 φ Set up the first green sub-branch of the Bank PSBC
   I Wuxing Green Sub-branch in Huzhou City.
- 4 Completed the research project of "Development and Improvement of Statistics on Green Loans", and obtained the approval for comprehensive statistical research of the financial industry from the People's Bank of China in 2019.



1

- γ Issued the Social Responsibility Work Guidelines of
   I Postal Savings Bank of China Co., Ltd.
- 2 Inaugurated Qujiang Green Sub-branch of Quzhou City and Huadu Sub-branch in Guangzhou Pilot Zone for Green Finance Reform and Innovation.
- 3 b Hefei Data Center won the honorary title of the "National Green Data Center of the Year 2020" jointly awarded by six ministries/commissions, i.e. 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, and the National Energy Administration.
- 4 Signed the Cooperation Framework Agreement on Supporting Huzhou City to Build a High-level National Green Finance Reform and Innovation Pilot Zone with the Huzhou Municipal Government.



- 1 <sup>b</sup> Put forward the proposition "Green World, Better Life".
- 2 γ Formulated the Outline of the 14th Five-Year Plan of
   I Postal Savings Bank of China, in which green finance is
   I identified as one of the four priority areas for development.
- 3 | Issued the Comprehensive Financial Services Program of Postal Savings Bank of China on Facilitating the Realization of Reaching Peak Carbon Emissions and Carbon Neutrality Goals.
- 4 Designated Huzhou City Branch in Zhejiang Province as a Head Office-level demonstration branch for green finance reform.
- Designated Changpo Sub-branch of Gaozhou City as
   the first Carbon Neutral Sub-branch of Postal Savings
   Bank of China.
- 6 φ Signed the Joint Declaration of Financial Institutions in
   I the Banking Sector to Support Biodiversity Conservation.
- 7 <sup>1</sup>Signed a strategic cooperation agreement with the national carbon emissions right registration institution and the national carbon emissions right trading institution.

- 8 & Jointly issued the Joint Initiative of Financial Institutions
   1 to Support the Building of Shanghai into an
   1 International Carbon Finance Center.
- 9 9 Adopted the PRB and joined the UNEP FI.
- 10 | Became a supporting organization of the Task Force on Climate-related Financial Disclosures (TCFD).
- 11 & Rated A by MSCI's ESG Ratings for the first time.



- γ Issued the Action Plan of Postal Savings Bank of China
   I for Peaking Carbon Emissions and Achieving Carbon
   I Neutrality.
- 2 V Issued the Measures of Postal Savings Bank of China for Environmental, Social and Governance Risk Management.
- 3 Issued the Work Plan of Postal Savings Bank of China for
   Green and Inclusive Financial Services for Small
   Enterprises in 2022.
- 4 & Issued the Notice on Further Promoting the Development
   I of Green Finance in the Business Line of Sannong
   I Finance.
- 5 O The Head Office, branches and majority-owned I subsidiaries set up green finance leading groups for I peaking carbon emissions and achieving carbon I neutrality.
- 6 | Issued the "Green Office and Low-carbon Lifestyles" | initiative of PSBC.
- <sup>7</sup> d Launched the campaign to develop demonstration
   <sup>1</sup> outlets of green sub-branches.
- 8 9 Signed the Joint Action Plan of Financial Institutions in 1 the Banking Sector to Support Biodiversity Conservation.
- 9 Von the title of "Advanced Organization in Green Bank Evaluation" from China Banking Association again.
- 10 & Rated A by MSCI's ESG Ratings for the second consecutive year.



- In February 2023, the Bank won the Outstanding Green Financial Institution Award at the 2022 Green Asia
   Pacific Environmental Protection Achievement Award
   Ceremony organized by Hong Kong Commercial
   Journal.
- 2 O In February 2023, the Bank signed the United Nations Sustainable Blue Economy Finance Initiative, becoming the first large state-owned commercial bank in China to sign this Initiative.
- 3 In April 2023, the Bank was awarded the "Advanced Organization in Green Bank Evaluation" by the China Banking Association.
- 4 <sup>b</sup> In May 2023, the Bank released its first environmental I information disclosure (TCFD) report.
- 5 9 In May 2023, the Bank was awarded the "Model Case of I Digital Transformation (Digital Transformation I Empowering the Development of Green Finance)" by
  I the China Association for Public Companies.
- 6 6 7 In June 2023, the Bank completed the pilot project of 7 the comprehensive application of financial data of the 8 former Business Management Department of the 8 People's Bank of China - "Green Credit Service Project 8 Based on Big Data Technology".
- 7 of In August 2023, the Bank issued China's first just transition loan in Datong City, Shanxi Province.
- 8 & In November 2023, the Bank received A in MSCI's ESG I Ratings for the third consecutive year.
- 9 9 In November 2023, the case of "Developing Green
  1 Finance to Promote High-Quality Development" was
  1 awarded the "Best ESG Practice Case of Public
  1 Companies in 2023" by the China Association for Public
  - Companies.



## Governance

- Board of Directors
- Board of Supervisors
- Senior management
- Work mechanism





The Bank continues to improve its green finance governance structure and integrates environment-related strategies into its governance framework. Adhering to the unified leadership of the Party Committee of the Head Office, the Board of Directors, the Board of Supervisors and the senior management have strengthened the leadership, supervision over and implementation of green finance work according to the division of responsibilities. The Head Office, branches and majority-owned subsidiaries have set up green finance leading groups for peaking carbon emissions and achieving carbon neutrality, thus forming a multi-level mechanism to advance related work.

## Board of Directors

The Board of Directors attaches great importance to the work in the field of green finance, assumes the primary responsibility of green finance, and coordinates the formulation of strategic plans for green finance and ESG performance. It continuously monitors and evaluates the effectiveness of the implementation of these strategies, promotes the active implementation of the national strategy for peaking carbon emissions and achieving carbon neutrality throughout the Bank, and explores the integration of ESG principles into the Bank's development strategy, governance structure, corporate culture and business processes. It works actively to build PSBC into a first-class green and inclusive bank, a climate-friendly bank, and an eco-friendly bank. It improves the corporate governance mechanism and the incentive and constraint mechanism, and continues to strengthen information disclosure.

During the reporting period, all directors actively participated in training sessions on ESG rating and outlook, international sustainability disclosure standards for financial reports, and corporate governance of commercial banks. They provided many professional opinions and suggestions on topics such as the green transition of China's economy, the protection of financial consumer rights, sustainability and ESG development, the role of commercial banks in supporting the private economy, etc.

#### ) The Strategic Planning Committee

The committee is primarily responsible for reviewing the Bank's strategic development plans, including green finance and ESG, conducting regular assessments of these strategic plans based on domestic and overseas economic and financial situation as well as changes in the market environment, and providing recommendations for adjustments to the Board of Directors. During the reporting period, the Committee reviewed and approved the assessment report on the implementation of the Outline of the 14th Five-Year Plan of Postal Savings Bank of China in 2022, conducted a thorough evaluation of the implementation of the green finance strategy, and ensured effective progress and execution of the strategy.

#### ) The Risk Management Committee

The committee is primarily responsible for reviewing and revising the risk management strategy, basic policies, the risk appetite and important risk management procedures and policies, including ESG risks, based on the overall development strategy, and establishing mechanisms for reporting risks, including ESG risks. During the reporting period, the committee reviewed and approved the annual risk management strategy and the risk appetite plan, proposed to "strengthen ESG risk and climate risk management", incorporated ESG and climate risks into the comprehensive risk management framework, conducted quarterly reviews of the comprehensive risk management reports, and strengthened ESG and climate risk management.

#### ) The Social Responsibility and Consumer Rights Protection Committee

The committee is primarily responsible for formulating green finance and ESG-related strategies, policies and objectives that are suitable for the Bank's development strategy and actual circumstances. These strategies and policies are implemented after being approved by the Board of Directors. The committee also oversees, inspects and evaluates the implementation and effectiveness of relevant strategies, policies, objectives, and basic management systems, and provides recommendations to the Board of Directors. During the reporting period, it reviewed and approved proposals including the annual corporate social responsibility (ESG) report, the work report on green banking development, and the environmental information disclosure (TCFD) report, the revision of the Working Rules for the Social Responsibility and Consumer Rights Protection Committee of the Board of Directors and other proposals, promoted the Bank's active fulfillment of social responsibilities, accelerated the building of a green bank, continuously deepened green financial services for green development, and enhanced environmental information disclosure.

#### Meetings of the Board of Directors and Its Special Committees on Issues Related to Green Finance During the Reporting Period

Time	
	The Second Meeting of the Risk Managem First Meeting of the Board of Directors in 2 China on the Risk Management Strategy ar Bank of China on the 2022 Comprehensive R
M   2022	The Second Meeting of the Audit Committe the Proposal of Postal Savings Bank of China
March 2023	The First Meeting of the Board of Director Savings Bank of China on the 2022 Annual R
	The First Meeting of the Social Responsibilit of the Bank in 2023 and the First Meeting of Postal Savings Bank of China on the 2022 C Report.
April 2023	The Second Meeting of the Nomination ar 2023 and the Second Meeting of the Bo Formulating the Strategic Performance Evalu
	The Third Meeting of the Strategic Planning Meeting of the Board of Directors in 2023 I Implementation of the Outline of the 14th Fir
May 2023	The Fourth Meeting of the Risk Manageme Third Meeting of the Board of Directors in 2 Management Report of Postal Savings Bank
	The Second Meeting of the Social Respon Directors of the Bank in 2023 and the Third Proposal on the 2022 Green Banking Develo 2022 Environmental Information Disclosure (
	The Sixth Meeting of the Risk Management Meeting of the Board of Directors in 2023 Management Report of Postal Savings Bank
August 2023	The Fourth Meeting of the Audit Committ Interim Financial Statements and Review Rep
	The Fifth Meeting of the Board of Directors Interim Report, Summary and Results Announ
October 2023	The Fifth Meeting of the Nomination and R and the Sixth Meeting of the Board of Direct Performance Evaluation Results of Postal Sav
	The Eighth Meeting of the Risk Manageme Seventh Meeting of the Board of Directors in Management Report of Postal Savings Bank
December 2023	The Eighth Meeting of the Strategic Plannin and approved the Proposal on the Report or Industry.
	The Tenth Meeting of the Board of Director Postal Savings Bank of China for the high-qu

#### **Meeting Topics**

nent Committee of the Board of Directors of the Bank in 2023 and the 2023 reviewed and approved the Proposal of Postal Savings Bank of and the Risk Appetite Plan for 2023 and the Proposal of Postal Savings Risk Management Report.

tee of the Board of Directors of the Bank in 2023 reviewed and approved na on the 2022 Financial Statements and Audit Report.

ors of the Bank in 2023 reviewed and approved the Proposal of Postal Report, Summary and Results Announcement.

ity and Consumer Rights Protection Committee of the Board of Directors of the Board of Directors in 2023 reviewed and approved the Proposal of Corporate Social Responsibility (Environmental, Social and Governance)

and Remuneration Committee of the Board of Directors of the Bank in oard of Directors in 2023 reviewed and approved the Proposal on luation Plan of Postal Savings Bank of China (2023 Edition).

g Committee of the Board of Directors of the Bank in 2023 and the Third reviewed and approved the Proposal on the Evaluation Report on the Five-Year Plan of Postal Savings Bank of China in 2022.

nent Committee of the Board of Directors of the Bank in 2023 and the 2023 reviewed and approved the Proposal on the Comprehensive Risk k of China for the First Quarter of 2023.

nsibility and Consumer Rights Protection Committee of the Board of d Meeting of the Board of Directors in 2023 reviewed and approved the opment Report of Postal Savings Bank of China, and the Proposal on the (TCFD) Report of Postal Savings Bank of China.

t Committee of the Board of Directors of the Bank in 2023 and the Fifth 23 reviewed and approved the Proposal on the Comprehensive Risk 3 of China for the First Half of 2023.

ttee of the Bank in 2023 reviewed and approved the Proposal on the eport of Postal Savings Bank of China for 2023.

rs of the Bank in 2023 reviewed and approved the Proposal on the 2023 uncement of Postal Savings Bank of China.

Remuneration Committee of the Board of Directors of the Bank in 2023 ctors in 2023 reviewed and approved the Proposal on the 2022 Strategic wings Bank of China.

ent Committee of the Board of Directors of the Bank in 2023 and the in 2023 reviewed and approved the Proposal on the Comprehensive Risk c of China for the Third Quarter of 2023.

ing Committee of the Board of Directors of the Bank in 2023 reviewed on Financial Services for High-quality Development of the Manufacturing

ors of the Bank in 2023 listened to the report on the financial services of uality development of the manufacturing industry.



## Column High Ratings From Several Professional Rating Agencies for PSBC's Outstanding ESG Performance

The Bank's ESG management has been recognized and highly rated by several professional ESG rating agencies at home and abroad: for three consecutive years, the Bank has received A in the MSCI's ESG ratings; in the FTSE Russell's latest ESG Scores, the Bank scored 2.7 out of 5, the highest in the industry, compared to the industry average of 2.05; it has been rated A+<sup>1</sup>, the highest ESG rating in the banking industry by the International Institute of Green Finance, Central University of Finance and Economics.

#### Column Awarded the Best ESG Practice Case of Public Companies and Model Case of Digital Transformation of Public Companies of 2023 by China Association for Public Companies

The Bank has been highly recognized by professional institutions for its ESG practice, development of green finance, and its active role as a major state-owned bank in driving the green, low-carbon transition and high-quality development of economy and society. At the Sustainable Development Conference of Chinese Public Companies organized by the China Association for Public Companies, the Bank was awarded the Best ESG Practice Case of Public Companies of 2023 for the second consecutive year in recognition of its excellent performance in green finance. In addition, its project "Digital Transformation Empowering the Development of Green Finance" was awarded the Model Case of Digital Transformation of Public Companies of 2023 by the Association.

## Board of Supervisors

The Board of Supervisors earnestly implements the decisions and plans of the CPC Central Committee, strictly abides by laws, regulations, regulatory requirements and the Articles of Association, focuses on its main responsibilities, effectively performs its supervisory duties, and continuously improves the quality and effectiveness of supervision. It also actively safeguards the legitimate rights and interests of the Bank, shareholders, employees, creditors and other stakeholders, and provides strong guarantee for the Bank's high-quality development.

During the reporting period, the Board of Supervisors paid continuous attention to and supervised the Bank's implementation of the national strategic plan for peaking carbon emissions and achieving carbon neutrality, as well as the progress toward the strategic goal of building a first-class green and inclusive bank, a climate-friendly bank, and an eco-friendly bank, and promoted the Bank's integration into and support to the new pattern of development.

Convening meetings to improve corporate governance

The Board of Supervisors actively tracked the Bank' s CSR performance and development of green finance. In 2023, it reviewed the 2022 Corporate Social Responsibility (Environmental, Social and Governance) Report of Postal Savings Bank of China, the 2022 Work Report of Postal Savings Bank of China on Green Banking Development and the 2022 Environmental Information Disclosure (TCFD) Report of Postal Savings Bank of China, among other proposals. It made comments and suggestions, and aimed to promote the high-quality development of green finance across the Bank.

#### Enhancing the supervisors' competency and strengthening the capacity building of the Board of Supervisors

The supervisors attended the special training program on ESG reporting for listed companies in Beijing, and listened to topics including "understanding and improving the essence and evaluation of ESG (green governance)" and "building a world-class enterprise with high-quality ESG work". The training deepened the supervisors' understanding of the latest regulations and industry trends, continuously expanded their horizon and improved their performance capabilities.

Effectively performing the supervisory responsibilities and continuously tracking the development of green finance

Focusing on the development of online business, the Board of Supervisors carried out special supervision of the Speedy Loan business, and actively applied financial technology to empower rural revitalization. Focusing on the concept of green development, it regularly supervised the development of green finance business, ESG and climate risk management, etc., followed the implementation of credit policies for green projects, environmental impact assessment and progress toward the sustainable development goals, and promoted the sound and sustainable development of green finance across the Bank.

Senior management

The senior management is responsible for implementing the resolutions of the Board of Directors, formulating green finance objectives, establishing mechanisms and processes, clarifying responsibilities and authorities, and conducting internal supervision, inspections and performance evaluations. It regularly reports on the development of green finance to the Board of Directors, pushes ahead work related to peaking carbon emissions and achieving carbon neutrality and green finance, and coordinates departments of the Head Office, branches and majority-owned subsidiaries to advance the green financial business.

#### Meetings of the Senior Management on Green Finance-Related Topics During the Reporting Period

() Time	🔠 Meeting	
April 2023	The First Meeting of PSBC Green Finance Working Group for Peaking Carbon Emissions and Achieving Carbon Neutrality	It reviewed the p the self-assessm performance re Report, and disc
April 2023	The Meeting of PSBC Green Finance Leading Group for Peaking Carbon Emissions and Achieving Carbon Neutrality	It reviewed the Postal Savings B
December 2023	The Second Meeting of PSBC Green Finance Working Group for Peaking Carbon Emissions and Achieving Carbon Neutrality in 2023	<ol> <li>It communica Xi Jinping at t Conference on "Initiative to Le Embracing Gre China – A Let Corporation Lim 2. It listened to t</li> <li>It reviewed th for 2024 and dis</li> </ol>

## Column Awarded "Advanced Organization in Green Bank Evaluation" by China Banking Association for Consecutive Years

The Bank attaches great importance to the green banking development, and has comprehensively advanced relevant work in such aspects as corporate governance, policies and systems, the incentive mechanism, product innovation, risk management, financial technology, capacity building and green operations. In the green bank evaluation organized by the China Banking Association, PSBC scored the highest and was awarded the honorary title "Advanced Organization in Green Bank Evaluation" for consecutive years.

1. The rating results and ranking data are from Wind Information Co., Ltd.

#### 2023 Environmental Information Disclosure (Green Finance) Report

#### Meeting Topics

progress of green banking development since 2022 (including nent report on green credit and the environmental and social eport) and the Environmental Information Disclosure (TCFD) cussed and planned the work arrangements for the next phase.

2022 Environmental Information Disclosure (TCFD) Report of Bank of China.

ated and studied the important speeches of General Secretary the Central Financial Work Conference and the National Ecological and Environmental Protection, China Post Group's Lead as Important Participants, Contributors and Pioneers in een Lifestyles and Contributing to the Building of a Beautiful tter to the Cadres and Employees of China Post Group mited".

the report on the green banking development in 2023.

the Green Finance Work Plan of Postal Savings Bank of China iscussed and planned the work arrangement for 2024.





Column The Voice of the Senior Management

Liu Jianjun, President of Postal Savings Bank of China: Promoting the high-quality development of five priorities of technology finance, green finance, inclusive finance, pension finance and digital finance, and contributing PSBC's strength to the building of a financial powerhouse

On February 14, 2024, President Liu Jianjun received an exclusive interview with Xinhua News Agency on the topic of "Promoting the High-Quality Development of Five Priorities of Technology Finance, Green Finance, Inclusive Finance, Pension Finance and Digital Finance, and Contributing PSBC's Strength to the Building of a Financial Powerhouse". President Liu pointed out that as China has embarked on the new journey of building a financial powerhouse, large state-owned commercial banks must work unswervingly to become better and stronger, and actively play the role of the main force in serving the real economy and act as a stabilizing force for financial stability. PSBC will focus on the high-quality development of finance and make great efforts for the development of five priorities of technology finance, green finance, inclusive finance, pension finance and digital finance. In particular, he stressed the need to promote green finance, continuously enrich green financial products, and vigorously increase the scale of green loans and green investment and financing; to highlight the distinctive PSBC characteristics of inclusive finance, increase input in terms of funds, team building, policies, and technology, and build differentiated competitive advantages in inclusive finance; and to comprehensively promote the application of digital finance, and use digital and intelligent technology to improve resource allocation and management efficiency, empower value creation, enhance the quality of financial services and build a leading digital ecosystem-based bank.



Chen Yuejun, Chairman of the Board of Supervisors of Postal Savings Bank of China: Implementing the new development philosophy and actively exploring and reforming the institutions and mechanisms of green finance

Green finance is not only an important driving force for high-quality economic and social development, but also a long-term source for the sustainable development of commercial banks. Guided by Xi Jinping's thought on ecological conservation, PSBC actively puts into action the new development philosophy, and promotes the building of a green and inclusive bank, a climate-friendly bank and an eco-friendly bank from a strategic perspective. We have firmly established the concept of green finance, developed mechanisms of green finance, innovated green financial products and enriched the service model of green finance, blazed a path of green finance with our own characteristics, and gained wide recognition from the government, regulatory authorities, rating agencies, capital markets, and the general public. In the next step, we will continue to beef up support for the green, low-carbon and circular economy, give full play to the role of finance as guidance, constraint and leverage in environmental governance and industrial development, effectively prevent environmental, social and governance risks, strive to open new ground of high-guality development, and make greater contributions to achieving peak carbon emissions and carbon neutrality goals, the Beautiful China Initiative, and the improvement of people's well-being.







The Bank should thoroughly implement the guiding principles from the 20th National Congress of the CPC, and strengthen the tracking and study of the "1+N" policy and other national policies. More efforts should be made to enhance the promotion and education of green development concepts across the Bank, create a good environment for green and low-carbon development in all respects, and foster a new development pattern featuring the integration of green development, green operations and green lifestyles. We should actively support key areas for low-carbon development such as clean energy, green transportation, green buildings, energy conservation and environmental protection, and blue economy, and inject PSBC's strength into the development of a low-carbon and circular economy.

In September 2023, Vice President Xu Xueming attended the 2023 China International inherent requirement to seize policy and market opportunities, drive the green and

Finance Forum and delivered a keynote speech titled "Actively Putting into Action ESG Concepts and Vigorously Developing Sustainable Finance". Vice President Xu stated that PSBC is green in appearance and substance: its logo is green, and its brand proposition is "Green World, Better Life". Since its establishment in 2007, the Bank has continued to work on green finance, and made explorations in areas such as pursuing innovation-driven development, improving incentive and constraint mechanisms, incorporating ESG into the risk management framework, and leveraging technology to promote sustainable development. Vigorously developing sustainable finance is not only the responsibility of commercial banks to implement national policies, fulfil social responsibilities and promote sustainable development, but also an low-carbon transition of the economy, and achieve its own business sustainability. He stressed that against the background of global consensus on sustainable development and under the strategic guidance of constructing a "dual circulation" development pattern, it is necessary for financial institutions to work together to build a sustainable financial ecosystem and circle of friends.



#### Du Chunye, Vice President of Postal Savings Bank of China: Actively building a new benchmark for the integrated development of inclusive finance and green finance

In March 2023, at the PSBC session of "Understanding My Investment Portfolio – Into Blue-Chip Companies", Vice President Du Chunye stated that the Bank would continue to adhere to its strategic positioning, and strengthen resource allocation in a consistent manner to expand the scale of inclusive finance. The Bank would focus on serving the specialized and sophisticated enterprises that produce new and unique products, and serving technological innovation, innovate and optimize products and processes, deliver better services more efficiently, and vigorously support the financial needs of inclusive micro and small-sized enterprises for green development. It would actively develop new financing products for green industries such as pollution control and resource recycling, and actively build a new benchmark for the integrated development of inclusive finance and green finance.

### 2023 | Environmental Information Disclosure (Green Finance) Report

Yao Hong, Vice President and Chief Risk Officer of Postal Savings Bank of China: Deeply implementing the guiding principles from the 20th National Congress of the CPC and creating a good environment for green and low-carbon development in all respects

#### Xu Xueming, Vice President of Postal Savings Bank of China: Actively putting into action ESG concepts and vigorously developing sustainable finance



## 🖉 Work mechanism

The Bank has established a mechanism whereby the Board of Directors and the senior management provide overall leadership and coordination of green finance work, the Credit Management Department takes the lead, departments of the Head Office, branches and majority-owned subsidiaries implement and execute the work of green finance.



#### The Senior Management

Establishing objectives, mechanisms and processes for green finance based on the decisions of the Board of Directors.

#### The Green Finance Leading Group for Peaking Carbon Emissions and Achieving Carbon Neutrality

Providing overall deployment and systematic promotion of initiatives related to peaking carbon emissions, carbon neutrality, and green finance.



#### The Green Finance Working Group for Peaking Carbon Emissions and Achieving Carbon Neutrality

Implementing the decisions and plans of the Leading Group, promoting the effective implementation of various initiatives at each level, and providing guidance and coordination for green finance work.

Establishing Specialized Green Institutions Such As Carbon Neutrality **[四Column** Sub-branches, Green Sub-branches, and Green Finance Departments

#### Some branches were recognized as green financial institutions by local regulatory authorities

During the reporting period, the Outlet of Huangshan Sub-branch of Anhui Branch and Jianghan Sub-branch of Hubei Branch were rated among the first batch of specialty sub-branches in green finance and pioneering green finance banks respectively; the Qinghai Branch opened a green sub-branch in Haixi Prefecture; the Guangdong Branch opened the first batch of "eco-banks" in Yunan County, Yunfu City. The Beijing Branch established the Binhe Green Sub-branch in Mentougou District, and the Henan Branch set up the Yingbin Avenue Green Sub-branch in Shenqiu County, Zhoukou City.

#### The Bank launched the campaign of developing demonstration outlets of green sub-branches

As at the end of the reporting period, the Bank had cumulatively designated 28 outlets of 17 branches as demonstration outlets of green sub-branches.

#### Some branches launched activities to establish provincial-level green sub-branches

The Hunan Branch was approved as a pilot provincial-level partner bank for environmental rights mortgage and pledge financing; the Guangdong Branch set up the first "Zero Carbon Outlet" within the province at the Changpo Carbon Neutrality Sub-branch in Gaozhou, Maoming, and awarded the title of Blue Finance Center to Yangxi County Outlet of Yangjiang; the Sichuan Branch established a specialty sub-branch of green finance in Tianfu New Area.

#### Specialized institutions took various measures to promote green development

The Huangshan District Sub-branch of Anhui Branch implemented the green development philosophy, and actively built a differentiated, unique and cost-effective business outlet. The practice of energy conservation and environmental protection and green elements were embedded into the whole process of the Sub-branch's design, construction, operation and service, created a center for promoting and experiencing green living and green office, and provided customers with one-stop green financial services. A special "green channel" was set up for green finance, ensuring quick and efficient approval of green financing loans. Meanwhile, energy-saving and eco-friendly products were promoted to reduce financing costs and enhance customer experience.



#### The Miyun District Green Sub-branch of Beijing Branch

The Miyun Green Sub-branch of Beijing Branch is the first specialized green credit institution in the district. Leveraging its professional team and the authorization to set differential interest rates, it has simplified the business acceptance process and improved business efficiency. It has launched such specialty business as the green agriculture loans, energy conservation and environmental protection loans, honey loans, and green micro loans. With close focus on the development of green industries, it has strengthened the innovation of green credit products, and increased support for green industries in the district. At the same time, it gives full play to the systematic advantages of China Post Group, i.e. the integrated flows of business, goods, funds and information, provides greater facilitation in the comprehensive services and agricultural product sales for Miyun cooperatives, and promotes the green development of agriculture in Miyun District, thus effectively supporting Miyun District in building a climate investment and financing demonstration zone.

#### The Jianghan District Sub-branch of Hubei Branch

The Jianghan District Sub-branch of Hubei Branch has integrated the "green finance" philosophy into its products and services, and actively participates in national key projects such as rail transit and high-end manufacturing. It ensures the flow of loan funds to infrastructure construction projects related to public wellbeing and the green upgrade of modern industries. While vigorously developing green businesses, it actively advocates for "green office and low-carbon lifestyles", works to raise the staff's awareness of energy conservation, reasonably controls office energy consumption, and promotes the efficient use of office supplies. By the end of the reporting period, the sub-branch registered the lowest comprehensive office costs per unit among all sub-branches in Wuhan.

#### Column Carrying out Training on Green Finance

To enrich the forms of training on green finance, on-site training, online training and teleconferencing training were organized on such topics as green finance policies and systems, industry-specific research on the low-carbon transition, green finance statistics, ESG and risk management, and environmental information disclosure, with notable effects.

#### Theme-based training on the green development philosophy

The Bank organized special training on studying and implementing the guiding principles from the 20th National Congress of the CPC, and an online training session for studying and implementing the guiding principles from the 2023 Central Financial Work Conference. It further translated Xi Jinping's thought on ecological conservation into concrete deeds, upheld the concept of "lucid waters and lush mountains are invaluable assets" supported China's efforts toward peaking carbon dioxide emissions and achieving carbon neutrality with high-quality green financial services, and further promoted the dissemination and implementation of green development philosophy across the Bank.

#### The green-themed Industry-specific Research Lecture Series

The Bank continued to strengthen training, both online and offline, on green finance and the low-carbon transition. During the reporting period, external experts were invited to give 13 lectures on green and low-carbon fields, in particular topics such as new energy vehicle industry, the photovoltaic industry, energy transition and carbon neutrality, International Sustainability Standards Board (ISSB) standards, etc. These lectures deepened the understanding and awareness of credit staff for green industries so as to facilitate them in providing stronger credit support for the real economy

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#### Column Inviting Industry Experts to Interpret the IFRS Sustainability Disclosure Standards

In order to accurately grasp the latest contents and development trends of the IFRS Sustainability Disclosure Standards, the Bank invited external experts to conduct special training on IFRS Sustainability Disclosure Standards. The training comprehensively introduced the background of the establishment of International Sustainability Standards Board (ISSB) and the positioning of the Standards, the main contents of IFRS S1 and S2, the main transitional measures after the implementation of the Standards, relevant international trends and developments, the impact of and challenges facing the Standards, and suggested countermeasures. The training laid a good foundation for the Bank to keep up with the world-leading practices and carry out relevant benchmarking analysis and assessments.

### 023 Environmental Information Disclosure (Green Finance) Report

#### The green finance section on the internal learning platform

The Bank stepped up efforts to develop green finance and ESG-themed training courses on internal learning platforms such as "China Post Online Academy" and "PSBC E-learning", made them available to all employees of the Bank, and organized all employees to participate in the learning process so as to deepen their understanding of the green development philosophy and continuously expand their knowledge and improve their skills related to green development.

03



## Strategy

## • Vision

- Main objectives
- Key tasks

#### 2023 Environmental Information Disclosure (Green Finance) Report



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In 2023, the Bank continued to push forward the green banking development from a strategic perspective. In accordance with the Outline of the 14th Five-Year Plan of Postal Savings Bank of China, regulatory requirements and its actual business conditions, the Bank formulated the Key Points of Green Finance Work for Peaking Carbon Emissions and Achieving Carbon Neutrality of Postal Savings Bank of China in 2023. It has fully integrated the concept of sustainable development into its own development strategy, and advanced sustainable and high-quality development in all respects, doing its part to the realization of the national goals of peaking carbon emission and achieving carbon neutrality and the building of a beautiful China.



Build a first-class green and inclusive bank, a climate-friendly bank, and an eco-friendly bank.

## Main objectives

Deepen the development of a green and inclusive bank, a climate-friendly bank, and an eco-friendly bank; actively support green, low-carbon and circular economy based on the principles of risks under control and business sustainability; vigorously develop sustainable finance, green finance and climate financing; move faster to develop new products and services in the areas of green finance, blue finance, blue finance, blue finance, conservation, transition finance, just transition and corporate carbon accounting; strengthen ESG and climate risk management, and enhance the professional capacity and industry influence in the field of green finance.

## Key tasks

#### The Bank has set the following seven key tasks for green finance







## **Policies and Systems**

- Industry-specific credit policies
- Resource allocation policies
- Implementation of green
- operations





Committed to the national "dual carbon" strategic goals, the Bank strictly abides by environmental policies and regulations, implements national industrial policies, requirements and standards, continuously improves its management policies, systems and processes for green finance and green operations, and solidifies the foundation for the development of green finance.

## Industry-specific credit policies

#### Issuing the Credit Policy of Postal Savings Bank of China (2023 Edition)

The Bank has implemented the guiding principles from the 20th National Congress of the CPC, national policies and regulatory requirements, and incorporated the requirements of green and low-carbon development into its credit policies for key industries. While keeping improving the Guidelines on Green Finance Credit Extension, it has highlighted the "green" orientation in all respects, optimized the ESG risk assessment standards for customers, and conducted category-based management and dynamic assessment of customer risks. Taking into account characteristics of industries and businesses, the Bank has clarified the orientation and key areas of green finance to support, and continuously strengthened differentiated policy support and control efforts. It has taken into account such indicators as technology, environmental protection, and energy consumption when selecting customers and projects in key industries. The Bank also vigorously supports the development of green, low-carbon and circular economy, and has designated key areas such as clean energy, green transportation, energy conservation and environmental protection as key industries to support.

The Bank has ensured financial services for the green and low-carbon transition of traditional industries. It provides reasonable credit support to eligible enterprises and projects, and avoids arbitrary withdrawal or termination of loans. More funds have been channeled to areas related to energy security and green and low-carbon development. The Bank resolutely curbs energy-intensive projects with high emissions and backward production capacity. It adheres to the "one-vote veto" mechanism for environmental protection, and implements a "zero-tolerance" policy for customers and projects that fail to comply with relevant environmental and industrial policies.

The Bank regards agriculture as an industry to support and prioritizes credit supply to it. In the selection criteria for agricultural customers, it clearly stipulates requirements regarding compliance, environmental protection, quality and safety control. It actively supports energy-efficient agricultural customers with high-efficiency agricultural machinery, low manual input, the application of fertilizer- and water-efficient technologies, and the development of high-standard farmland. In accordance with the requirements of the "No. 1 central document" for 2023, it has pushed ahead the development of high-standard farmland with finance, improved the conditions and ecological environment for agricultural production, and increased the food production capacity. It pays close attention to the environmental and social transition risks and reputational risks of forestry projects, actively supports forestry projects with FSC/PEFC/CFCCC certification while forbidding support for plantations built by means of illegal felling of natural forests, and continues to track the change in policies governing the fast-growing forests.



	PSBC Credit Policie		
#Category	🖹 Credit		
Agriculture, forestry, animal husbandry and fishing	This category includes the industries of agriculture industries to support. Focusing on ecological cons husbandry, and fishery projects, projects related to th resources, as well as ecological restoration projects w		
Biodiversity	The Bank includes biodiversity conservation in the s opportunities for commercially sustainable biodiversit towards biodiversity conservation and nature-based s		
Climate change	The Bank prioritizes clean and green renewable energies greenhouse gas emissions reduction requirements.		
Energy utilization	This mainly includes such industries as natural ga photovoltaic power generation, biomass power generat energy industries such as photovoltaic power generat industries. The measures and effects of the energy production and circulation processes are important of and strengthen the clean energy industries as well as		
Mining	The Bank supports green, clean and intelligent m protection and resource utilization as admission crite intelligent development of the coal industry and the o mechanism for ESG and climate risks, forbids lendi climate risks, and resolutely scales back and phases o align with national industrial policies as well as enterpris		
Petroleum and natural gas extraction	This mainly includes activities related to the extra supporting activities. The Bank pays much attention and financing in the oil and natural gas sector, and utilization of resources, energy conservation, and env Bank particularly focuses on environmental risks in th treatment and disposal of waste mud and rock chips,		
Transportation	This mainly includes railways, highways, ports, shipp The Bank prioritizes supporting green transportati eco-friendly transportation projects. It actively support shoring up weaknesses, provides climate financial set transportation sector, and supports the development		
Following national	Issuing the Risk Policy and Risk Limit Plan of P Following national policies, PSBC resolutely curbs energy-intensic capacity, and formulates risk policies and risk limit plans every year		

Following national policies, PSBC resolutely curbs energy-intensive projects with high emissions and backward production capacity, and formulates risk policies and risk limit plans every year. During the reporting period, the Bank implemented limit control over high-carbon and energy-intensive industries such as iron and steel, coal, thermal power, non-ferrous metals, and petrochemicals, and actively supported the green and low-carbon transition and development of traditional industries such as energy-intensive industries with high emissions.

#### 3 Formulating the Guidelines of Postal Savings Bank of China on Sustainability-linked Financial Businesses

To promote energy transition and the green and low-carbon transformation of traditional high-carbon industries, the Bank formulated the Guidelines of Postal Savings Bank of China on Sustainability-linked Financial Businesses.

#### ies by Industry

#### it Policy Description

ure, forestry, animal husbandry, fisheries, etc. and is considered as onservation, it actively develops green agriculture, forestry, animal o the conservation and development of natural resources and tourism s with multiple benefits.

e support scope of sustainable finance and green finance, explores rrsity investment and financing, and allocates more financial resources d solutions.

energy projects, with a focus on global climate change policies and .

gas power generation, hydropower, nuclear power, wind power, eneration, and power supply. The Bank encourages lending to clean eration, wind power, and hydropower, and increases support for these ergy conservation and emissions reduction of enterprises in the nt considerations in approval decisions, with the aim to help cultivate as the transformation and upgrading of traditional energy industries.

t mining projects, and considers workplace safety, environmental riteria for customers and project selection. It supports the green and ne clean and efficient utilization of coal. It applies the "one-vote veto" ading to customers and projects with significant environmental and es out non-compliant and outdated production capacity that does not prises that fail to meet environmental and workplace safety standards.

traction of petroleum and natural gas, as well as specialized and ion to the environmental and social risks associated with investment and supports projects that meet the standards for comprehensive environmental protection stipulated in related industrial policies. The n the discharge of fracturing flowback fluids and gas field water, the os, and the safe storage of chemicals.

pping industry, urban rail transit, air transportation, and civil airports. ation, such as railway transportation, urban public transportation, oports national key projects and other infrastructure construction for I services related to air pollution reduction and transformation in the ent of a network of intelligent transportation and logistics facilities.

#### Postal Savings Bank of China in 2023





## Resource allocation policies

#### Strengthening performance assessment

The Bank has developed a balanced scorecard with core business indicators for departments at the Head Office and the performance assessment measures for business management in tier-1 branches, and incorporated green credit indicators into the performance assessment systems of relevant departments at the Head Office and branches. The credit management evaluation plan was formulated for tier-1 branches, which included the set-up of "green banking development" indicators. Tier-1 branches have been assessed quarterly based on their performance in green banking organization and management, policy implementation, business development and capacity enhancement.

#### Providing preferential policies

The Bank issued the Supplementary Notice on the Economic Capital Measurement Standard of Postal Savings Bank of China (2022 Edition) (Y. Y. F. [2023] No. 43), further expanded the scope of green finance business to cover corporate green loans, personal green loans, green bonds, green bills and other businesses, and set preferential economic capital adjustment coefficients.

#### Differentiated approval authorization

Following the principle of matching the authorization power with capabilities, the Bank has granted differentiated approval authority to branches to review and approve green finance business, and given greater approval authority to branches in green finance fields such as energy conservation and environmental protection, photovoltaic power generation, wind power, biomass power generation, hydropower, etc.

#### Setting up "green lanes" for review and approval

"Green lanes" for credit review and approval were set up to increase support for parallel operations and support the development of green finance businesses.

### Implementation of green operations

The Head Office signed the Letter of Responsibility of Postal Savings Bank of China for Ecological and Environmental Protection Work in 2023 with branches and majority-controlled subsidiaries, who promised to fully implement ecological and environmental laws, regulations and policies, strictly implement local government requirements concerning air pollution emissions, vehicle exhaust emissions, gas emissions during production processes, and infrastructure wastewater discharge, so as to safeguard the bottom line of ecological and environmental protection, and make every effort to prevent ecological and environmental issues from occurring.

#### 2

Promoting the development of low-carbon and energy-efficient buildings. It formulated the Guidelines of Postal Savings Bank of China on Engineering Construction Work in 2023, and continuously supervised branches in promoting green building construction and accelerating green building development. Priority has been given to meeting the requirements of newly constructed green buildings and renovated fixed facility buildings. The energy-efficient and green transformation projects of old data centers were carried out in an orderly manner. The construction of green data centers was advanced.

Implementing green procurement. It is clearly stated in the procurement management system to uphold the principles of openness, fairness, and impartiality, and prioritize the procurement of energy-efficient, eco-friendly products with green labels, as well as products that meet requirements of green packaging, green transportation, etc. Throughout the procurement process, the Bank encourages suppliers to assume environmental responsibilities. During the reporting period, the Bank signed approximately 105 copies of the Agreement on Energy Conservation, Emissions Reduction, Environmental Protection and Green Development with suppliers.



## **Risk Management**

- Environmental (climate), social and governance risk management framework
- Development of the environmental and climate risk database
- Identification and assessment of climate risks
- Quantitative analysis of environmental risks
- Internal audit





The Bank has incorporated ESG and climate risks into its comprehensive risk management framework, established an environmental information database, identified and assessed climate risks, carried out special investigations of ESG and climate risks and climate risk stress testing, and continuously improved the ability to manage ESG and climate risks.

## Environmental (climate), social and governance risk management framework

PSBC implemented the Green Finance Guidelines for the Banking and Insurance Industries and the Guidelines for Establishing the Green Financial System, revised the Environmental, Social and Governance Risk Management Measures of Postal Savings Bank of China, and incorporated ESG management requirements into the comprehensive risk management framework to reflect the principles of "full coverage of the whole process, all factors and all respects", thus effectively improving its ESG management and evaluation level.

#### Fully integrating ESG risks into business processes

#### At the stage of due diligence

The Bank considers ESG risks a necessary and important component in the due diligence process, objectively evaluates the ESG risk of clients or projects, puts forward preliminary ESG risk classification recommendations for these risks, and strictly implements the one-vote veto principle for environmental protection.



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#### At the stage of review and approval

The Bank strengthens credit and investment approval management, and considers the compliance of ESG risk management of customers or projects an important criterion for approval. The Bank prioritizes the approval of credit and investment applications that support green, low-carbon and circular economy, and strictly restricts credit extension and investment to customers which have seriously violated laws and regulations or have material ESG risks.

At the stage of contract signing

The Bank strengthens the management of ESG risk-related contract clauses. For customers whose ESG risk is classified as Class A<sup>2</sup> or Class B<sup>3</sup> , independent clauses are added in the contract to urge them to strengthen ESG risk management.

#### At the stage of fund disbursement

The Bank has developed a checklist to assess customers' environmental and social risk management status and review whether the environmental and social risk-related disbursement conditions specified in the approval decision sheet and the contract are fulfilled

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#### At the stage of post-lending (post-investment) management

The Bank dynamically monitors the ESG risk status of credit clients or projects. For customers with potential material ESG risks, it formulates and implements targeted management measures. The Bank takes timely actions to reduce or withdraw its lending/investment to customers with material ESG risks.



2 Class A: Customers whose construction, production and business activities are likely to significantly change the original state of the environment and generate adverse environmental and social consequences that are difficult to eliminate

3 Class B: Customers whose construction, production and business activities will produce adverse environmental and social consequences that can be easily eliminated through mitigation measures.

## Development of the environmental and climate risk database

The Bank completed the pilot project on comprehensive application of financial data entitled "Green Credit Service Based on Big Data Technology" of Beijing Municipal Branch of the People's Bank of China, and continued to optimize the big data platform for green finance. It uses its "Jinjing" (Gold Eye) credit risk monitoring system to collect, collate and analyze publicly available environmental information from the government and enterprises, and build an environmental and climate risk database. Based on the Dynamic Environmental Performance Assessment (DEPA) solution of the Institute of Public and Environmental Affairs (IPE), the Bank conducts dynamic assessments of the environmental performance of enterprises from the perspectives of pollution prevention and control, environmental management, and public supervision, so as to quickly and efficiently identify enterprises' environmental credit risks and improve the quality and effectiveness of credit management.



The Bank has improved the environmental information database, integrated 13 types of data, including red lines for ecological conservation, climate data of listed companies and carbon emissions data of corporate clients, into the "Jinjing" (Gold Eye) credit risk monitoring system, and strengthened the monitoring of environmental risks associated with clients throughout the entire credit process.

#### The Bank uses artificial intelligence technology to support the development of green, low-carbon and circular economy. Various statistical standards and rules of green finance have been embedded into the business systems, and an efficient and sustainable green intelligent identification engine has been established. This can effectively lower the technical threshold of green identification, and improve its accuracy and timeliness. The environmental benefit calculation model is built into the credit business platform to realize dynamic monitoring and accurate calculation of the environmental benefits of green projects.

Bank has actively carried out data governance, and organized the entire bank in completing special investigations on the classification and identification of green credit and ESG risks, thus consolidating the data foundation of green finance.



## 2023 Environmental Information



## Identification and assessment of climate risks

Climate risks refer to the potential adverse impacts of climate change on natural systems and economic and social systems, including physical risks and transition risks. Among them, physical risks refer to the risks that are induced by the occurrence of climate anomalies, environmental pollution and other events, which may cause severe impairment to the balance sheets of enterprises, households, banks, insurance institutions and other market entities, and in turn affect the financial system and the macro economy. Transition risks refer to the risks that are induced by significant tightening of the carbon emissions-related policies or technological innovation in response to climate change and to promote the low-carbon transition in the economy, and may trigger repricing of high-carbon assets and financial losses.

	Clima	te Risk Points					
Physical risks Example Potential financial impact Duration							
Extreme weather events	Tropical cyclones/typhoons, floods, winter storms, heatwaves, droughts, wildfires, hailstorms	Causing production and supply disruptions or transportation difficulties, leading to increased operational costs and negative impacts on the workforce	Short-term risks				
Pollution of ecosystems	Soil pollution and degradation, air pollution, water pollution, marine pollution, environmental incidents	Increased production costs and higher premiums for high-risk assets; early retirement and write-off of existing assets; and increased asset costs due to equipment damage	Medium to long-term risks				
Sea-level rise	Chronic diseases, sea-level rise or fall	Increased production costs, higher premiums for high-risk assets, disease transmission leading to impaired health, and negative impacts on the workforce	Medium to long-term risks				
Water shortage	Drought or water scarcity	Increased water costs, reduced income, and negative impacts on the workforce	Short, medium and long-term risks				
Deforestation / desertification	Deforestation leads to the extinction of species, changes in climatic conditions, desertification and displacement of populations.	Higher premiums for high-risk assets and negative impacts on the workforce	Short, medium and long-term risks				
ransition risks	Example	Potential financial impact	Duration of impac				
Changes in public policy and legal litigation	Potential legal litigations to be faced due to energy transition policies, pollution control regulations, and resource conservation regulations	Early retirement of existing assets, increased asset impairment, and litigation fines can lead to increased operating costs, or a decrease in the demand for products and services	Short, medium and long-term risks				
Technological reform	Green technologies such as clean energy technologies, energy-saving technologies, and clean transportation can replace existing products and services.	Early write-off or retirement of existing assets reduces the demand for products and services; expenditure on technology research and development increases.	Medium to long-term risks				
Psychological and preference changes	Changes in consumer preferences for certain products, shifts in investor sentiment toward certain classes of assets	Reduced demand for corresponding products and services, and reduced revenues due to production capacity reduction caused by supply chain disruptions.	Short, medium and long-term risks				
Changes in the market	Uncertainty in market signals, increased costs of raw materials, and new business models in operation	Market uncertainty leads to reduced demand and services; rising raw material prices lead to higher production costs and asset revaluation.	Short, medium and long-term risks				

## Quantitative analysis of environmental risks

#### ) Carrying out climate risk stress testing

During the reporting period, the Bank carried out climate risk sensitivity stress testing for high-carbon industries such as electricity, iron and steel, construction materials, petrochemical, chemical, papermaking, civil aviation and non-ferrous metal smelting.

The stress testing focused on assessing the Bank's ability to cope with transition risks under the goals of peaking carbon emissions and achieving carbon neutrality, and examined the impact of rising carbon emissions costs of enterprises in high-carbon industries on the quality of corresponding credit assets held by the Bank and capital adequacy levels. The tests utilized internal data and models, adopted the methods of scenario analysis and the financial transmission model, used the national carbon market's carbon emissions quota trading price (hereinafter referred to as "carbon price") as a stress indicator, and analyzed the changes in the credit asset quality and capital adequacy levels in eight industries under different carbon price scenarios.

The test results show that the credit risks of some high-carbon clients would rise under mild, medium and severe stress scenarios. However, the overall impact on the Bank's capital adequacy level is controllable. The core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of 2030 all met regulatory requirements and passed the stress testing.

#### **2**) Carrying out investigations on ESG and climate risks

For the seventh consecutive year, the Bank organized special investigations on ESG and climate risks and high-carbon industries, with particular attention to the behavior of clients and projects in energy conservation, environmental protection, workplace safety, and corporate governance, as well as the impact they had on society. Through self-examinations, on-site inspections and field visits, the Bank obtained ESG risk information, established a clear understanding of the situation, categorized the risks and dealt with them accordingly. It urged high-risk customers to formulate and implement risk response plans, effectively prevented and resolved potential ESG risks, and strengthened the tracking and management of ESG risks for existing clients.

## 🖉 Internal audit

Audits were carried out on risk management and green finance. During the reporting period, the Audit Department of the Head Office and relevant regional audit offices jointly conducted ESG risk management and green finance audits on 17 departments of the Head Office and seven tier-1 branches, with focus on the institutional building of clients' ESG risk management and green credit extension, process control and system development, so as to promote ESG risk and green credit management.





## Green Investment and Financing

- Green credit
- Green bonds
- ESG index
- Business of energy-intensive industries with high emissions and overcapacity
- Innovation in green financial products and services
- Typical case studies of green finance





## // Green credit

RMB637,878 million

Balance of green loans

Increase over the prior year-end 28.46%

According to the green loan statistics criteria of the People's Bank of China, as of the end of the reporting period, the balance of the Bank's green loans to green industries such as energy conservation and environmental protection, clean production, clean energy, ecological environment, and green upgrading of infrastructure stood at RMB637,878 million, an increase of 28.46% over the prior year-end.

Balance of green financing
RMB**747.946** million **See** 

Increase over the prior year-end **28.24**%

According to the green financing statistics criteria of the National Financial Regulatory Administration, as of the end of the reporting period, the Bank's balance of green financing registered RMB747,946 million, up by 28.24% from the prior year-end.

Granting carbon reduction loans RMB**47.4** billion



With the help of the carbon-reduction supporting tool, the Bank has cumulatively granted carbon reduction loans of RMB47.4 billion to 452 projects, driving an annual carbon reduction of 10.12 million metric tons of carbon dioxide equivalent.



#### Equivalent Emissions Reduction of Green Credit-Financed Projects

Emissions Reduction	Unit	2023	2022	2021
Standard coal	10,000 metric tons	2,005.64	1,665.60	1,397.92
Carbon dioxide equivalent	10,000 metric tons	4,821.75	3,623.57	3,151.77
Chemical oxygen demand	10,000 metric tons	73.80	36.46	22.03
Ammonia nitrogen	10,000 metric tons	4.34	3.85	4.37
Sulphur dioxide	10,000 metric tons	321.18	41.22	158.10
Nitrogen oxides	10,000 metric tons	81.69	25.97	14.66
Water conservation	10,000 metric tons	8,902.75	1,456.49	985.25
Fine particulate matter (PM2.5)	10,000 metric tons	74.88	18.03	6.77
Volatile organic compounds	10,000 metric tons	1.15	7.61	660.24
Total nitrogen	10,000 metric tons	5.55	5.41	3.41
Total phosphorus	10,000 metric tons	0.86	0.49	0.87

## Green bonds

#### Issuance of green bonds

On March 23, 2023, the Bank publicly issued a three-year green financial bond (Tranche 1) worth RMB5 billion in the national interbank bond market. The proceeds from this green financial bond will be entirely used for industrial projects of green upgrading of infrastructure stipulated in the Catalogue of Projects to Support by Green Bonds (2021 Edition). The China-EU Common Ground Taxonomy: Climate Change Mitigation also applies.

#### Green bond investment

PSBC actively carries out green bond investment and provides green financial support for key areas of ecological conservation. As of the reporting period, the balance of green bond investments amounted to RMB36,769 million. The Bank was awarded the title of "Excellent Institutional Investor of ChinaBond Green Bond Index" for the fifth consecutive year.

#### Underwriting of green bonds

As of the end of the reporting period, the Bank underwrote a total of RMB6,087 million of green bonds in 2023, with a cumulative underwriting scale of RMB17,857 million.



## Underwriting the first green asset-backed commercial paper for carbon neutrality, rural revitalization, and old revolutionary areas

During the reporting period, the Bank successfully underwrote the "Shenjin Panying Tranche I Green Asset-backed Commercial Paper (Carbon Neutrality Bond/Rural Revitalization/Old Revolutionary Bases) of Shanghai Shenneng Financial Leasing Co., Ltd. in 2023", with the shelf scale of RMB3 billion, and the first issue scale was RMB1 billion. The underlying assets of this project involve wind power, photovoltaic power generation and other green industrial fields, which are based in the former Zuojiang-Youjiang Revolutionary Base area, with the aim to vigorously support rural revitalization projects. This was the first asset-backed commercial paper with three theme labels Carbon Neutrality/Rural Revitalization/Old Revolutionary Bases in the market.

#### Underwriting the Bank's first Green Panda Bond

In May 2023, the Shenzhen Branch successfully underwrote the Bank's first-ever Green Panda Bond – the first tranche of green medium-term note of China Everbright Greentech Limited in 2023, a RMB-denominated bond issued by an overseas institution in China, with a scale of RMB1 billion, a term of three years, and a coupon rate of 3.2%. The funds raised from this issuance will be entirely used for the company's green projects, including 14 comprehensive biological utilization projects and 14 solid waste and hazardous waste disposal projects. According to some relevant green bond assessment report, the green projects to be financed by this bond are expected to produce considerable environmental benefits including carbon reduction.



## **ESG** index

In cooperation with Deutsche Börse Group and other financial institutions, the Bank released the STOXX PSBC China A ESG Index on the Deutsche Börse, the first A-share ESG index jointly released by Chinese and German financial institutions in the global market with both international standards and local characteristics. The Index is conducive to establishing the Chinese ESG brand in the international market. It provides a dimension and an investment tool for domestic and international investors to observe the ESG performance and long-term investment value of A-share companies, and helps to guide all parties to pay more attention to ESG management and practices of companies, jointly promoting the high-quality development of China's ESG market.

During the reporting period, the Bank issued two ESG-themed wealth management products: the closed-end RMB wealth management product PSBC Wealth Yueyi · Hongjin Tranche 13 of 2023 (ESG select) and the closed-end RMB wealth management product PSBC Wealth · Hongjin Tranche 32 of 2023 (ESG select). At the same time, it vigorously promoted the use of wealth management funds in green fields.

## Status of energy-intensive industries with high emissions and overcapacity

The Bank closely follows national industrial policies and regulatory requirements, and adheres to the principle that "ensuring and supporting the development of some fields while controlling and limiting the development of some other fields". It refrains from the one-size-fits-all approach and instead implements differentiated credit policies for energy-intensive and high-emission industries, with focus on supporting the green, low-carbon and circular economy. Meanwhile the Bank actively explores transition finance, and focuses on areas such as green manufacturing and green, low-carbon, and circular development in the industrial sector. The Bank specifically focuses on the green, low-carbon, and digital transformation of traditional manufacturing industries such as iron and steel, petrochemicals, building materials, non-ferrous metals, textiles, and papermaking. It strictly implements the "one-vote veto" mechanism for environmental protection, and prohibits financing for overseas high-carbon fossil energy. The proportion of credit extended to the energy-intensive and high-emission industries in the overall portfolio remained at a low level.

Status of Credit Business in Energy-intensive Industries with High Emissions and Overcapacity						
Energy-intenive industries with high emissions and overcapacity	Balance by the end of 2023 (RMB100 million)	Proportion in corporate loans in 2023 (%)	Balance by the end of 2022 (RMB100 million)	Proportion of corporate loans in 2022 (%)	Balance by the end of 2021 (RMB100 million)	Proportion in corporate loans in 2021 (%)
	812.81	2.53	571.03	2.14	505.23	2.24
Of which:						
Steelmaking	316.62	0.98	234.60	0.88	203.60	0.90
Cement manufacturing	72.44	0.23	71.35	0.27	77.09	0.34

Note: The energy-intensive industries with high emissions and overcapacity are classified in reference to the Notice of the General Office of China Banking Regulatory Commission on Issuing Key Evaluation Indicators for Green Credit Implementation (Y.J.B.F. [2014] No. 186).





## Innovation in green financial products and services

During the reporting period, PSBC actively sought innovation in the field of green finance, which was of great significance for promoting sustainable development and responding to climate change. By promoting products and models such as carbon emission right-pledged financing and green credit asset securitization, the Bank channeled funds to green industries and promoted the growth of a low-carbon economy. In addition, on top of supporting new investment models such as carbon-neutrality bonds and green bonds, it provided enterprises and institutions more options of sustainable financing, thus further propelling the development of green finance.

#### Pilot projects of corporate carbon accounting service and innovative application

Corporate carbon accounting is a useful attempt and exploration by the Bank in promoting the green and low-carbon transition of enterprises, improving risk management and standardizing information disclosure. For the government, carbon accounting can help it accurately understand the emissions of carbon emitters, set carbon emissions budgets, and formulate carbon reduction plans, providing data support for building a corporate carbon account platform and formulating incentive policies in the future. For enterprises, carbon accounting can effectively advance their green and low-carbon transition, and is the prerequisite for them to participate in carbon trading, receive government subsidies and obtain preferential financing. For banks, carbon accounting provides a basis for developing new products and services for carbon finance, risk management, and information disclosure. and enables them to provide customers with one-stop comprehensive financial services. PSBC actively and gradually promotes carbon accounting for corporate customers with non-mandatory disclosure of environmental information. In cooperation with the Institute of Public and Environment Affairs (IPE), it applies the greenhouse gas (GHG) emissions accounting platform (InsBlue) to provide real-time online GHG emissions accounting for enterprises. As at the end of the reporting period, it had completed carbon accounting for 4,067 corporate customers accumulatively, with 1,885 new clients added in the year, or an increase of 86.39%.

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#### Column | Model of Carbon Accounting Scorecard by Sanming Branch in Fujian Province

To implement the green development philosophy and work towards the goals of peaking carbon emissions and achieving carbon neutrality, Sanming Branch has provided solid assistance to the city's drive to build a provincial-level green finance reform pilot zone. In 2023, it steadily carried out carbon accounting of customers in a phased manner, innovatively devised the carbon accounting scorecard, and combined carbon accounting with customer surveys, review and approval, post-lending management and product innovation, guiding customers toward green and low-carbon development. It uses the carbon accounting scorecard to encourage customers to carry out carbon accounting, and sets scores for customers based on the data quality of their carbon accounting results. Meanwhile, it conducts a second calculation of carbon accounting points. Customers who realized carbon emissions reduction will be awarded additional points, and entitled to a "green lane" in the stages of customer on-boarding and credit re-examination, as well as a lower interest rate in loan pricing.

#### [ Column | "Eco-Credit Loan for Businesses" by Lishui Branch in Zhejiang Province

Based on the comprehensive financial service platform of Zhejiang Province and the credit information service platform of Lishui City, Lishui Branch in Zhejiang Province has built an eco-credit evaluation mechanism and introduced the financial product - the Eco-Credit Loan for Enterprises, achieving "one-dimensional expansion, two accuracies, three goals". This means that the Bank's credit evaluation system has expanded from the traditional single financial dimension to a combination of both ESG and financial dimensions, so that it could more accurately measure enterprises' risks and value, and achieve the three goals of "an expanded customer base, product innovation, and risk management". As of the end of the reporting period, eco-credit evaluations had been conducted for 455 enterprises in Lishui city. The Eco-credit Loan for Enterprises won the third prize in the 2023 Lishui City Reform and Innovation Labor Competition of Inclusive Financial Services for Rural Revitalization.

#### Column | Beijing Branch's Pilot Project of Corporate Green Credit Reports

Under the guidance of the Beijing Municipal Branch of the People's Bank of China and Beijing Municipal Bureau of Ecology and Environment, PSBC Beijing Branch has cooperated with Beijing Financial Big Data Co., Ltd. in piloting green credit reports for enterprises based on its carbon accounting for corporate customers. The pilot project focuses on existing micro-, small, and medium-sized enterprises within the Branch's jurisdiction, and produces credible evaluation results on the green behavior of these customers at a low cost by comprehensively profiling their green behavior performance. So far, customer sample report testing has been completed. At the same time, it actively explores business opportunities in areas such as whitelist customers in green industries, marketing scenario construction, green labelling of existing customers, and green credit increase, making useful attempts at driving high-quality development with green finance, and empowering rural revitalization with technology.

#### Carbon remediation services for corporate customers

PSBC has built a corporate carbon emissions disclosure module in the "Jinjing" (Gold Eye) credit risk monitoring system to calculate the environmental emissions and energy use data of credit customers, promote the public disclosure of environmental information by customers, and formulate effective environmental protection measures, so as to promote energy conservation, emissions reduction and industry upgrading. As at the end of the reporting period, the Bank monitored the environmental risk information of 305.2 thousand corporate customers, including 16 thousand major polluting entities, and accessing the data of 46 thousand enterprises with regulatory records. Among them, 201 clients have used the Blue Map platform and tools to calculate and disclose energy data such as guarterly fresh-water consumption, wastewater, GHG emissions, etc.

#### 3 Sustainability-linked financial products

While continuing to make innovation on product and service models, the Bank has successively launched the first "carbon-reduction supporting tool + sustainability-linked + e-CNY loan" and "just transition loan" to meet the reasonable financing needs of enterprises in the process of transformation and development. As at the end of the reporting period, the balance of the Bank's sustainability-linked loans was RMB7,537 million.



#### Granting China's first just transition loan

In accordance with the G20 Transition Finance Framework, the Bank has introduced an innovative just transition financial instrument to support the low-carbon transition and just transition of carbon-intensive enterprises. The just transition loan, with a scale of RMB100 million, was granted to Jinneng Holding Coal Industry Group Co., Ltd., a company specialized in coal production and thermal power generation. Part of the loan funds will be used to provide rotation training and operational qualification training for employees in the process of low-carbon transition and development, in order to improve employees' professional skills, labor capabilities, and employability, and achieve the just transition of the workforce.

#### Realizing the first "carbon emission reduction facility + sustainability-linked + e-CNY loan" scenario-based business in the country

PSBC Guangxi Branch granted the first "carbon-reduction supporting tool + sustainability-linked + e-CNY" loan to a subsidiary of Guangxi Beitou Energy Investment Group Co., Ltd. The loan combines the sustainability-linked loan with other financial instruments, and links the loan interest rate to the newly installed capacity of renewable energy power generation by the borrower during the agreed period, so as to incentivize it to reduce emissions voluntarily. The project is expected to save 2,463.75 metric tons of standard coal and reduce carbon dioxide emissions by 8,053.64 metric tons per year. The funds were disbursed in e-CNY and paid to the project construction entity, to ensure the authenticity and credibility of the usage of the loan. The enterprise can use e-CNY for subsequent payment and settlements without incurring any handling fees or service fees, and the funds can be received in real time, reducing the enterprise's fund costs and improving the efficiency of fund turnover.



#### Granting the sustainability-linked loan to Shanxi Fenxi Mining (Group) Co., Ltd.

The Bank actively supports the green and low-carbon transition of traditional industries. It has granted a sustainability-linked loan to Shanxi Fenxi Mining (Group) Co., Ltd., and links the loan interest rate in the third interest-bearing year to the company's progress towards the preset sustainability performance targets - the completion rate of newly built intelligent mechanized mining faces and the intelligent excavation faces. It is expected that by the end of 2025, the enterprise will add no less than five intelligent mechanized mining faces and intelligent excavation faces. While meeting the enterprise's financing needs and reducing its financing costs, the loan incentivizes it to accelerate the application of intelligent technology and assists the enterprise in its green and intelligent transformation and upgrading.



In February 2023, the Bank launched "Green G Discount", a "green bill + e-CNY" discount product. The product accurately targets at the customer group of green and low-carbon enterprises, supports e-CNY disbursement, provides customers with benefits of the "green G points", and reduces discount costs, effectively supporting the bill financing of green and low-carbon enterprises.



#### PSBC Zhejiang Branch launches the first "Green G Discount + e-CNY" business in the country

Targeting the special customer group of green and low-carbon enterprises, PSBC Zhejiang Branch applied e-CNY and the "green G points" reward scheme, and launched the "green bill + e-CNY" discount product - "Green G Discount". On February 16, 2023, PSBC Shaoxing Branch launched the Bank's first "Green G Discount" business in the country, and issued funds of RMB2 million in e-CNY. The product will reduce enterprises' discount costs, help them yield both ecological and economic benefits, benefit more micro, small and medium-sized enterprises, and promote green and low-carbon development.

#### 5 E-Loan for Technological Innovation

The online credit product of E-Loan for Technological Innovation can rapidly and accurately grant credit to MSEs with energy-saving and environmental protection-related inventions or utility model patents, to support the development of tech industries for energy conservation and environmental protection. It does so by analyzing the technical nodes of the industrial chain of energy conservation and environmental protection technology, searching the industry-specific technology map and patents, penetrating the patent data, and preparing a list of MSEs in the upstream and downstream of the industrial chain. In 2023, the Bank strengthened product innovation, built a diversified "green and inclusive" product portfolio, further developed the industrial chain of environmental protection technology, and expanded the technology guarantee model, intellectual property pledge model and other guarantee methods, to support the development of technology enterprises in the field of environmental protection. By the end of the reporting period, the Bank had granted more than RMB5 billion worth of loans to them.



#### PSBC Hunan Branch's support for the transformation and upgrading of tech enterprises

PSBC Hunan Branch prioritizes services for projects aimed to achieve high-level self-reliance and strength in technology. Primarily via the E-Loan for Technological Innovation product, it has strengthened financial services for green technology enterprises and agricultural technology enterprises, continued to build a sound business environment, and actively supported the innovation-driven development of small and medium-sized tech enterprises and their transformation and upgrading. For example, it has granted a loan to a new material technology company in Luxi County Industrial Park, Xiangxi Prefecture, to facilitate its innovation and development. The company holds several invention patents in the fields of aluminum-based composite materials, silicon carbide aluminum-based composite materials and others, with an annual output value of more than RMB200 million, and has become a provincial-level key sci-tech innovation enterprise.



The Clean Loan series are corporate loan products tailored for the green finance fields such as ecological conservation, clean energy, energy conservation and environmental protection, and circular economy, to promote the integrated development of urban and rural areas and advance infrastructure construction. It includes four types of loans: the water loan, the garbage disposal loan, the photovoltaic power loan and the heating loan, and targets specially the corporate investment projects for the construction, expansion, transformation, purchase and installation of fixed assets in related industries.





#### The guarantee letter for CECEP's ADB On-lending Loan

The Bank issued a guarantee letter of EUR449 million to the Ministry of Finance to guarantee the repayment of the on-lending loan under the special sovereign loan from the Asian Development Bank (ADB) for China Energy Conservation and Environmental Protection Group (CECEP). The loan funds were used to set up the Beijing-Tianjin-Hebei Regional Emissions Reduction and Pollution Prevention and Control Fund, which primarily supports coal reduction and substitution projects in Hebei, Beijing, Tianjin, and the surrounding areas, including coal-to-electricity shift, coal-to-gas shift, geothermal heat utilization, and utilization of surplus heat. The fund operation will amplify the capital leverage and mobilize more funds to help mitigate air pollution in the Beijing-Tianjin-Hebei region. This business involved the first on-lending loan of the Ministry of Finance under a national sovereign loan in the mode of bank guarantee. As the only partner institution, PSBC played a good exemplary role in the attempt to broaden the guarantee scope of sovereign loans.

#### Innovative products based on the "carbon account/carbon points"

#### Redemption of personal carbon account bonus points

During the reporting period, the Bank launched the personal carbon account in the low-carbon zone of its mobile banking app, to record the account holder's daily low-carbon behavior and store corresponding carbon emissions reductions. Meanwhile, the finance business is made accessible in the low-carbon zone so that the user's financial behavior can be linked to their personal carbon account. By promoting the green and low-carbon e-banking, the Bank has improved its own low-carbon operations, and constructed a green "finance + lifestyle" scenario. At present, the scenarios that can generate carbon reductions in the low-carbon zone of the mobile banking app include such low-carbon behavior as opening virtual low-carbon cards, transfer and remittance, loan application, and payments in e-CNY. All this has effectively guided more customers to embrace environmental protection and low-carbon lifestyles.

#### "PSBC Carbon Loan" and "Low-Carbon PSBC Gift Loan"

Based on the corporate carbon credit system established by the local People's Bank of China, PSBC Quzhou Branch in Zhejiang built application scenarios and launched the Quzhou Rongtong Carbon Account System which connects the carbon account system of the local People's Bank of China and the PSBC credit system. Via this system, the branch can inquire about corporate carbon finance data, report and handle customers' financing needs, generate monthly carbon account loan monitoring reports, and based on this produce the corporate carbon credit labeling results and information about the personal carbon account bonus points. The branch has launched "PSBC Carbon Loan" and "Low-Carbon PSBC Gift Loan", with differential credit support. With the help of technology, its carbon account system has been improving, and carbon finance loans have grown steadily. As at the end of the reporting period, PSBC Quzhou Branch had cumulatively granted carbon finance loans of RMB2,773 million, including RMB1.91 billion of "PSBC Carbon Loan" and RMB863 million of "Low-Carbon PSBC Gift Loan"

## 2023 Environmental Information Disclosure (Green Finance) Report



Finance scenario interface of the low-carbon zone of the Bank's mobile banking app



#### Innovative products based on "carbon assessment/carbon rating"

## Case

#### PSBC Zhejiang Branch's Personal Eco-credit Loan

Datian of Zheijang Province is the first village to do both GEP (Gross Ecosystem Product) and GDP (Gross Domestic Product) accounting in the country, with all its mountains, fields, forests, water and even air priced. Seizing this opportunity, PSBC Suichang County Sub-branch launched the financial product - Eco-Credit Loan. Based on the administrative measures for the rating and scoring of personal eco-credit, and by taking into account rural ecological governance and farmers' eco-behavior, it grants loans to farmers who have the required eco-credit rating, thus benefiting the farmers with the GEP dividend. As at the end of the reporting period, PSBC Zheijang Branch had issued RMB239 million of Eco-Credit Loans.

#### Green financial products of the credit card business

The Bank actively develops new green financial products, new models and new scenarios of the credit card business, and has stepped up efforts to develop green credit. It has continuously optimized the business request handling process, digitized the business process, and explored headquarters-to-headquarters cooperation on the instalment payment for the purchase of new energy vehicles (NEVs). In 2023, the Bank formed partnership with Zeekr, a new-energy automobile brand to expand the instalment payment business for the purchase of NEVs. As at the end of the reporting period, the balance of green financing was RMB3,819 million, an increase of 679.37% over the prior year-end.

As to product innovation in the credit card business, the Bank issued a green and low-carbon themed credit card that in both virtual and physical forms. The physical card is made of eco-friendly materials to convey to the public the message of "Green World, Better Life". In 2023, the Bank issued the card to 84.3 thousand customers, with a total consumption amount of RMB4.216 billion. In addition, all the newly-launched products in that year are both in virtual and physical forms, to amplify the voice for green, low-carbon lifestyles and environmental protection. In 2023, 6,118.6 thousand virtual cards were issued.

#### Column Practices in the Green Finance Reform and Innovation Pilot Zones

The Bank actively pursues green development, thoroughly implements the major decisions and plans of the CPC Central Committee and the State Council, and earnestly implements the work requirements for peaking carbon emissions and achieving carbon neutrality. It vigorously supports the development of green finance reform and innovation demonstration zones, and seizes opportunities for developing the green finance business. Relevant branches have produced a batch of replicable practices and models for the sustainable development of green finance.

#### PSBC Huzhou Branch of Zhejiang is a pathfinder for the green and low-carbon transition and development

As a "Head Office-level green finance reform demonstration bank", PSBC Zhejiang Huzhou Branch has unswervingly acted upon the belief that "lucid waters and lush mountains are invaluable assets" . Based on "one action" and centered on "seven mechanisms", it adopts the "green plus" model, and strives to advance the reform and innovation in the field of green finance.

#### One action

• The action to peak carbon emissions and achieve carbon neutrality: The branch takes measures step by step, prepares the action plan, establishes key tasks of the year, and ensures faithful, effective execution of relevant work.

#### Seven Mechanisms

- The organizational and management mechanism for green finance: The branch takes the lead in building a green sub-branch, works actively to build a green financial center, and pilots the "carbon-neutral" bank project.
- The incentive and constraint mechanism: Green finance is incorporated into the performance evaluation system of institutions at all levels, and linked with the performance appraisal results of relevant departments and personnel, to highlight the "green" orientation.

- The ESG risk management mechanism: ESG risk management is embedded into all links of credit business, and "four-color classification", list-based management and dynamic management are implemented.
- The carbon accounting mechanism: The branch implements "two-dimensional" carbon management, takes the lead in piloting corporate carbon accounting, and makes the "carbon inventory" of its own operations.
- The research results application mechanism: The branch conducts research on green finance, carbon peaking and carbon neutrality, ESG, carbon accounts and transition finance.
- building of a green finance talent pool in Huzhou.
- green finance and the "dual carbon" goal, and carried out themed activities to promote green finance in various forms.

#### The "green plus" model — building a product system of green finance

The branch has accelerated efforts to develop new products and services of green finance, and explored characteristic products, businesses and development models, to promote the deep integration of green finance with rural revitalization, common prosperity, inclusive finance and transition finance. It has established the "green plus" model and formed a diversified product and service system of green finance, including "green plus projects", "green plus inclusion", "green plus common prosperity", "green plus payment", and "green plus technology". The branch has stepped up financial support for green and low-carbon areas, launched the "PSBC Green Access Loan" (the government mode of easy small and micro loan), and granted loans to sewage treatment projects.

#### PSBC Chongging Branch takes multiple measures to boost green finance

PSBC Chongqing Branch focuses on green industries such as new energy, energy conservation and environmental protection, and strives to improve the green finance mechanism. The branch continues to seek innovation in green credit products, channels and services. During the reporting period, it has made full use of the PSBC's "Yu" (the short name for Chongging) series of financial services: the "Meet Dreams in Yu" series help enterprises achieve a win-win in business development and environmental protection; the "Meet the Future in Yu" series advance the green and low-carbon projects; and the "Meet Luck in Yu" series decode the green low-carbon city life. In 2023, the branch granted a credit line of more than RMB13 billion, involving green projects such as Chongging Rail Line 15, Datang Wulong Hydropower, and Chongging Fengdu Pumped Energy Storage. To step up support for green consumption, it partnered with SERES, Geely, BYD and GAC AION in NEV loans. In 2023, the branch issued RMB546 million auto loans. The branch launched the green and low-carbon themed credit card with 6,282 cards issued accumulatively. In 2023, it completed carbon accounting for 126 enterprises, representing 315% of the target set by the Head Office, ranking first in all PSBC branches in both figures. The paper it prepared – entitled "Research on the Green Finance Credit Strategy of Chongqing under the Goals of Carbon Peaking and Carbon Neutrality" was awarded the first prize of Excellent Research Project by Chongqing Banking Association.

#### PSBC Quzhou Branch of Zhejiang vigorously develops green finance with carbon account finance at the core

As at the end of the reporting period, the balance of green loans of PSBC Quzhou Branch was RMB4,189 million, an increase of 48.55% over the beginning of the year, accounting for 22.14% of its total loans. As one of the first four pilot banks in Quzhou which have developed and launched the financial auxiliary system for the carbon account, PSBC Quzhou Branch continued to contribute to the development of Quzhou Municipal Government's comprehensive financial service platform -Quzhou Rongtong Carbon Account System via which it can make inquiries about corporate carbon finance data, report and handle customers' financing needs, and produce the results of corporate carbon credit labeling. The branch has also advanced the development of the "Cloud Quick Payment Platform" personal carbon loan management system which allows the user to apply for personal carbon loans, and enables automatic updating of personal carbon reports. The branch also developed special product solutions such as the "PSBC Carbon Loan" for businesses and the "Low-Carbon PSBC Gift Loan" for personal customers. As at the end of the reporting period, it had granted RMB2,773 million of carbon account loans.

## 023 Environmental Information Disclosure (Green Finance) Report

• The team building mechanism: The branch organizes training sessions on green finance and actively participates in the

• The green publicity and guidance mechanism: The branch has increased publicity efforts, launched a column to promote



#### Green world better life

#### PSBC Gansu Branch actively participates in the development of the green finance reform and innovation pilot zone in Lanzhou New Area

PSBC Gansu Branch has enjoyed a good cooperative relationship with the Administrative Committee of Lanzhou New Area. The two sides have signed the Strategic Cooperation Agreement on Financial Services to jointly boost the economic development of Lanzhou New Area. Remarkable results have been achieved in supporting the financing of SMEs in Lanzhou New Area, implementing projects vital to the people's livelihood and to social security, supporting employment and entrepreneurship, accelerating rural basic financial services, improving the urban and rural payment and settlement systems and implementing major construction projects. The Comprehensive Financial Service Plan of Gansu Branch of Postal Savings Bank of China for Lanzhou New Area was formulated. Door-to-door visits were paid to key enterprises in Lanzhou New Area, followed by proactive credit support. Green loans worth RMB388 million were granted to enterprises in Lanzhou New Area, effectively supporting their development. At the same time, the Bank has supported the launch and development of the "Lvjintong" comprehensive green financial products and services for enterprises within the jurisdiction.

#### PSBC Xinjiang Branch gives play to the role of green finance demonstration zones

To meet the local government's requirements on the green finance demonstration zones, PSBC Xinjiang Branch has actively and continuously worked to improve its service capacity of green finance, and actively supported the development of green finance in the region. By the end of 2023, the balance of green loans in the three green finance demonstration zones of Changji, Hami and Karamay-Kashgar totaled RMB1.78 billion, an increase of RMB1.24 billion or 230.9% over the beginning of the year. PSBC Hami Branch focuses on supporting the high-quality development of the wind energy storage industry, and the balance of its green loans reached RMB1,136 million as at the end of 2023, an increase of 9,366.67%. PSBC Changji Branch actively supports wind power, eco-friendly hydropower and biomass clean energy projects, and has promoted the development of local new energy industries. As at the end of 2023, the balance of its green loans was RMB460 million, an increase of 16.2%. PSBC Karamay Branch actively invests in water production and supply projects, and has participated in urban water supply projects aimed at improving water quality, which have greatly improved the drinking water quality for local residents. As at the end of 2023, its balance of green loans stood at RMB181 million, up by 40.3%.

## PSBC Jiangxi Branch promotes the development of green finance in Ganjiang New Area according to local conditions

PSBC Jiangxi Branch closely watches the development of green credit in Ganjiang New Area. By opening Ganjiang New Area Sub-branch, it has acted proactively to develop green finance according to local conditions. Firstly, it improved the administrative mechanism, formulated and issued the Plan for Promoting Green Credit Development of Ganjiang New Area Sub-branch, clarified the sub-branch's green credit business objectives and key tasks, and established the Green Bank Leading Group of Ganjiang New Area Sub-branch responsible for coordinating the orderly implementation of all related work. Secondly, a special credit policy was formulated. Based on the characteristics of local financial ecology and characteristic industries, a special section for Ganjiang New Area was prepared, relevant policies were analyzed, and key customers profiled, to guide the precision marketing to local green customers and promote chain-style development. Thirdly, it made sure that the express channel of credit review was unblocked, with priority given to meeting the parallel operation needs of green business investigation and review in Ganjiang New Area. Ganjiang New Area, and facilitated the implementation of the phase-1 PPP project for improving the quality and efficiency of the sewage system in the Economic Development Area, and facilitated the implementation of the phase-1 PPP project for improving the quality and efficiency of the sewage system and the city life, meet the people's basic needs, and improve the ecological environment. Over the past two years since its opening, the sub-branch has issued loans of nearly RMB30 million, supporting more than 10 local environmental protection projects and renewable resources companies.

## PSBC Guizhou Branch actively supports the green transportation infrastructure construction in Guian New Area

PSBC Guizhou Branch actively supports the construction of transportation infrastructure in Guian New Area. As at the end of 2023, the branch cumulatively extended credit funds of about RMB6.141 billion to Rail Transit Line 3 and S1 projects. Rail Transit Line 3 was opened for trial operation at the end of 2023, and S1 is expected to be put into trial operation by the end of 2024. Both lines will shorten the commuting time between Guian New Area and Guiyang's city proper to within half an hour. After both lines are fully opened to traffic, they will become part of the transportation network consisting of "seven horizontal lines and nine vertical lines", which includes Shanghai-Kunming Expressway, Shanghai-Kunming High-Speed Railway and Guiyang's Urban Express Railway Loop Line as well. It will take two to four hours to reach other provincial capitals nearby and six hours to the sea ports, thus providing strong support for the high-quality development of Guian New Area.

#### PSBC Guangdong Branch continues to ramp up support for green finance

PSBC Huadu Sub-branch has set up a leading group for carbon peaking, carbon neutrality and green finance, with the chief leader as the head, the vice president as the deputy head, and the departmental and outlet heads as the members. The leading group is responsible for leading, implementing and supervising the work aimed to peak carbon emissions, achieve carbon neutrality and develop green finance. The Action Plan of Postal Savings Bank of China Huadu Sub-branch of Guangzhou Green Finance Reform and Innovation Pilot Zone for Carbon Peaking and Carbon Neutrality was issued. In 2023, the sub-branch vigorously promoted green finance-related business, marketed green loans to target groups, and granted a credit line of RMB800 million to an environmental company for the procurement of chemicals and membrane materials for sewage treatment projects. Meanwhile, it strengthened external communication, actively assisted in the preparation for the establishment of the Huadu District Green Finance Association, and carried out on-site survey and other communication activities with Guangzhou Carbon Exchange, so as to continuously enhance the influence of the Bank's green finance brand.

## Case studies of green finance

Empowering rural green development



## PSBC Hebei Branch's Photovoltaic Power Station Project for Poverty Alleviation in Haixing County

While actively exploring new ways for the photovoltaic industry to reduce poverty, PSBC Hebei Branch has adopted the "government + enterprises + poor households" cooperation model, and consolidated and transferred the use rights of the county's saline-alkali wasteland on which a photovoltaic power station is built and characteristic agriculture developed, to generate more comprehensive income for the poor households. During the reporting period, the branch granted a credit line of RMB210 million to the 50 MW agrophotovoltaic (APV) power station project in Haixing County, with a preferential interest rate to lower the financing costs. The APV power station covers 1.6 thousand mu of saline-alkali wasteland, and is expected to benefit 1,666 poor households and supply an average of 60,902 thousand kWh of green energy per year to the State Grid, which is equivalent to saving 18.6 thousand metric tons of standard coals, as well as reducing sulphur dioxide emissions by about 378 metric tons and carbon dioxide emissions by about 496 thousand metric tons per year, in addition to the reduction in wastewater discharge.



PSBC Hebei Branch's Photovoltaic Power Station Project for Poverty Alleviation in Haixing County



## PSBC Jiangsu Branch's "Pear Orchard Loan" – a pledge loan secured by fruit tree carbon sink

Including fruit trees in the carbon sink trading market is conducive to the agricultural economy and rural revitalization, and can help us better tap the potential of carbon sinks and realize the value of eco-products. During the reporting period, PSBC Jiangsu Branch launched the "Pear Orchard Loan", the first pledge loan secured by fruit tree carbon sink, using carbon sink assets such as carbon reductions and carbon fixation generated from pear tree planting as the collateral. It granted RMB200 million to the Dazhong Sub-district quality pear orchard project in Dafeng District, to solve the company's financing difficulties.

## PSBC Hunan Branch's support for the high-standard farmland project in Chaling County, Zhuzhou

Chaling is located in the Hunan-Jiangxi border area, and is one of the six counties of Jinggangshan Revolutionary Base. Its high-standard farmland project is a key project for poverty alleviation in the Hunan-Jiangxi border area supported by the Department of Agriculture and Rural Affairs of Hunan Province. During the reporting period, the branch granted loans of RMB104 million to the project, which is conducive to the virtuous circle and sustainable development of the agro-ecological environment. The utilization rates of soil, water and fertilizer resources in the project area are significantly improved, the comprehensive grain production capacity is expected to increase by more than 100 kg/mu, and the operating cost of rice planting is expected to be reduced by about RMB 356 mu/year.

) Supporting the construction of the energy system under the carbon peaking and carbon neutrality goals



## PSBC Shandong Branch's support for the Shandong Hi-Speed Group's distributed photovoltaic power generation project

PSBC Shandong Branch provides support to the distributed photovoltaic power generation project of Shandong Hi-speed New Energy Development Co., Ltd. During the reporting period, it accumulatively granted loans of RMB83,287 thousand to the project, which are mainly used to finance the construction of photovoltaic power plants connected to the grid in the toll stations along the expressways and in the open space within the ramp circles of Linyi, Binzhou, Liaocheng, Jining and Heze. In addition to effectively meeting the financial needs of photovoltaic enterprises, the project has made it easier for nearby enterprises and residents to access electricity, and driven the development of industry and commerce, and the development of Shandong's green and low-carbon circular economy.

## PSBC Hubei Branch's support for the 100MW hybrid fishery-solar-storage project in Xiongkou Administrative Area of Qianjiang City

The Datang 100MW hybrid fishery-solar-energy storage project in Xiongkou Administrative Area of Qianjiang City involves a total investment of RMB570 million, and can supply 158,519,800 kWh of clean electricity to the power grid every year. After being put into operation, it can save about 48.3 thousand metric tons of standard coals, and reduce  $CO_2$  emissions by about 132.8 thousand metric tons,  $SO_2$  emissions by about 29.64 metric tons, and nitrogen oxide emissions by about 30.91 metric tons per year. In addition, it can also reduce a lot of ash and dust emissions, water consumption and wastewater discharged every year, with remarkable effects in energy conservation and emissions reduction. As at the end of the reporting period, the branch had granted RMB343 million in loans to the project.

#### PSBC Yunnan Branch's support for Yilian 230MW hybrid solar power station project in Yongren

The Yilian 230MW hybrid solar power station project in Yongren, Chuxiong Yi Autonomous Prefecture combines solar power with agriculture and forestry, to tap the rich solar energy in the county without changing the original purpose of the land, and to restore the fragile local ecosystems at the same time. The project combines the planting of crops and medicinal plants and photovoltaic power generation, with the aim to maximize the efficiency and benefits of power generation at a lower cost. As at the end of the reporting period, the branch had granted RMB734 million in green loans to the project, offering financial support to the project.



PSBC Jiangsu Branch's "Pear Orchard Loan" - a pledge loan secured by fruit tree carbon sink

PSBC Hunan Branch's support for the high-standard farmland project in Chaling County, Zhuzhou

PSBC Hubei Branch's support for the 100MW hybrid fishery-solar-storage project in Xiongkou Administrative Area of Qianjiang City

2

PSBC Yunnan Branch's support for Yilian 230MW hybrid solar power station project in Yongren



#### Green upgrade of service infrastructure



#### PSBC Chongging Branch's financing for Phase II of Rail Transit Line 15

PSBC Chongqing Branch has granted a credit line of RMB5 billion to Chongqing Rail Transit (Group) Co., Ltd. for the construction of Phase II of Rail Transit Line 15. The Phase II of Rail Transit Line 15 is an express line connecting the high-tech zone of Western (Chongqing) Science City, the university town, the science town, and the central valley area, to satisfy the demand for long-distance commuting. It enables efficient transit between the residential quarters in the western valley area, T3 terminal, Fusheng High-speed Railway Station and Longsheng Industrial Park, supporting the city' s rapid economic and social development.

PSBC Chongqing Branch has granted a credit line of **RMB5** billion to Chongging Rail Transit (Group) Co., Ltd. for the construction of Phase II of Rail Transit Line 15.



PSBC Chongqing Branch's financing for Phase II of Rail Transit Line 15

#### Supporting the recycling of resources



#### PSBC Hebei Branch's support for the sewage treatment plant in the central urban area of Changli County

PSBC Hebei Branch provides financial support to the sewage treatment plant project in central urban area of Changli County, which is an important measure to improve the current water environment of the Yinma River Basin. After completion, the project will greatly reduce the pollution of urban sewage to the environment. The amount of pollutants it is expected to reduce per year is as follows:

Chemical oxygen demand Biochemical oxygen demand Suspended solids 8103.00 metric tons 4248.60 metric tons 4270.50 metric tons

Ammonia nitrogen content Total nitrogen Total phosphorus 733.65 metric tons 876.00 metric tons 124.83 metric tons

PSBC Inner Mongolia Branch provides financial support for the waste-to-energy incineration project in Tongliao. The project uses the mechanical grate-type garbage incinerator, the waste heat boiler, the steam turbine generator unit and the combined-process flue gas treatment device, and can treat 292 thousand metric tons of domestic waste a year. The operation of the project marks the shift of Tongliao from landfill to incineration for the treatment of domestic waste, bidding farewell to the open-air stacking of garbage and embarking on the path of reduction, recycling and harmless treatment. The project has achieved remarkable results in resource conservation and pollution control, and produced high social and environmental benefits.

#### PSBC Heilongjiang Branch's support for the agricultural waste utilization project

PSBC Heilongjiang Branch provides financial support for the agricultural waste utilization project of Jintai New Energy Technology Co., Ltd. in Anda City, which can produce five thousand metric tons of furfural a year. The project uses the waste corn cobs containing a large amount of condensed sugar to produce furfural and furfuryl alcohol, thus putting agricultural waste into reuse. It is conducive to extending the agricultural industry chain and making it greener.

### 2023 Environmental Information Disclosure (Green Finance) Report



PSBC Hebei Branch's support for the sewage treatment plant in the central urban area of Changli County

#### PSBC Inner Mongolia Branch's support for the waste-to-energy incineration project in Tongliao



PSBC Inner Mongolia Branch's support for the waste-to-energy incineration project in Tongliao



PSBC Heilongjiang Branch's support for the agricultur waste utilization project



#### ) Boosting industrial transformation and upgrading



#### PSBC Guangdong Branch's support for the launch of the first carbon-neutral food in the province

An agricultural science and technology company in Guangdong is a biotechnology enterprise specialized in the tea oil business. PSBC Guangdong Branch has continued to support its green upgrading and transformation. The branch has sought institutional innovations, introduced new products of green finance, provided financing by linking credit to the company's "carbon certificates", and supported its "zero-carbon tea oil" project. The project is expected to increase carbon sinks by 537.89 metric tons, reduce carbon emissions by 577.54 metric tons, cancel carbon emission reductions by 40 metric tons, and achieve "zero" carbon dioxide emissions throughout its life cycle, thus achieving carbon neutrality.

reduce carbon emissions by 577.54 metric tons

cancel carbon emission reductions by **40 metric tons** 



the first carbon-neutral food in the province

#### Promoting biodiversity conservation

The Bank has included biodiversity conservation into the scope of green finance support, and provides financial support for biodiversity conservation and restoration with existing mature products of green finance.



## PSBC Chongqing Branch's support for the phase-1 comprehensive water environment improvement project in Fengdu County

PSBC Chongqing Branch has extended a loan of RMB65 million to the phase-1 comprehensive water environment improvement project in Fengdu County. After the project was put into operation, the centralized treatment rate of domestic sewage in townships has reached more than 90%, the centralized treatment rate of rural domestic sewage has reached more than 70%, and the harmless treatment and disposal rate of sludge has reached more than 90%, effectively improving the county's water environment and the quality of towns and villages along the rivers. Meanwhile, biodiversity is restored. Fengdu has achieved the goal of "clear water, green banks, unblocked river basin and beautiful scenery", providing ecological guarantee for sustainable economic and social development.

## PSBC Jiangxi Branch's support for the phase-2 project of comprehensive treatment of water environment system in the downtown of Jiujiang City

PSBC Jiangxi Branch has provided green financing of RMB390 million to support the phase-2 project of comprehensive treatment of the water environment system in downtown Jiujiang City. The project enables the sewage, rainwater, surface water and groundwater to go separate ways, and has significantly reduced the annual overflow water and the pollution load into the lakes, with the overflow water falling by 78.5%, and the load of COD, ammonia nitrogen and total phosphorus down by 95%, 96.3% and 96% respectively.



PSBC Jiangxi Branch's support for the phase-2 project of comprehensive treatment of water environment system in the downtown of Jiujiang City

#### PSBC Fujian Branch's support for the National Reserve Forest Demonstration Zone

Fujian Sanming Jinsen Forest Resources Development Service Co., Ltd. is mainly engaged in the development, management and trading of forest carbon sinks. Learning of the company' s financing needs, PSBC Sanming Branch provided it with funds by means of the pledge of the right to carbon sinks income. Meanwhile, it strengthened cooperation with the holding company Fujian Jinsen Forestry Co., Ltd. and granted it a credit line of RMB210 million via forest land mortgage to support its national reserve forest carbon sinks project. This project involves 100 thousand mu of forest land. It is expected that the cumulative timber harvesting output during the project period will be 1,254.5 thousand cubic meters, with a sales revenue of RMB1,398 million and a net profit of RMB581 million, and can achieve a carbon reduction of 598.7 thousand tons of carbon dioxide equivalent. This is a case where ecological resources are converted into real money, showing that "lucid waters and lush mountains" are really "invaluable assets"

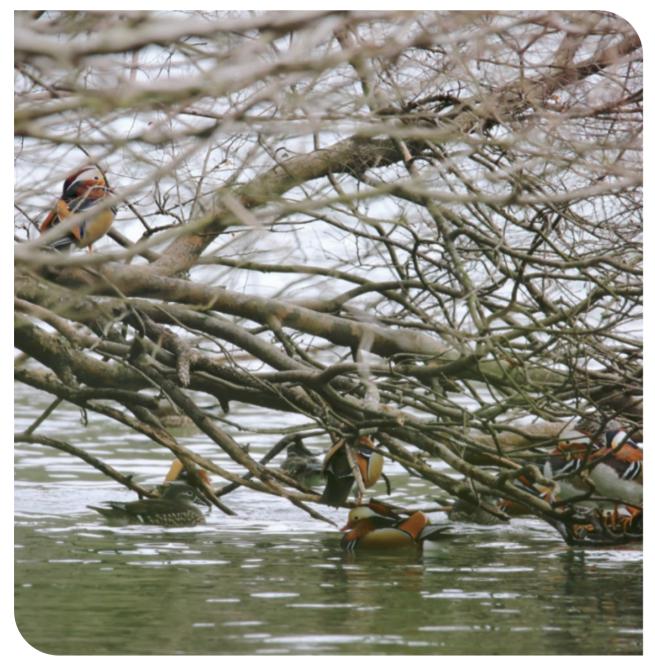


PSBC Fujian Branch's support for the National Reserve Forest Demonstration Zone



#### PSBC Ningbo Branch's support for the ecological conservation and infrastructure construction project of Hangzhou Bay National Wetland Park

PSBC Ningbo Branch has provided financing of RMB50 million to Zhejiang Xinjie Construction Co., Ltd. to cover the design and construction costs of its ecological conservation and infrastructure construction project of Hangzhou Bay National Wetland Park (Phase II), a park tasked with such functions as wetland restoration, wetland research and environmental education. Located on the north-south demarcation line of China's coastal wetlands, it is an important stopover site on the East Asian-Australasian Flyway. More than one million migratory birds will stop by and stay here every year. Among them, there are 62 species of birds on the list of wild animals under key state protection, 21 species on the Red List of Threatened Species in China issued by the International Union for the Conservation of Nature (IUCN), and more than 20 thousand waterfowls which regularly inhabit here. The project is of great significance to the conservation and the ecosystem of the entire coastal wetland.



PSBC Ningbo Branch's support for the ecological conservation and infrastructure construction project of Hangzhou Bay National Wetland Park

Supporting environmental volunteering activities

#### The labour union of the Head Office launches the event "Planting the PSBC Love Forest, Walking for a Green and Healthy Lifestyle"

In cooperation with China Green Foundation, the Bank launched the event "Planting the PSBC Love Forest, Walking for a Green and Healthy Lifestyle". If the participant's accumulated step counts within the stipulated period hit the threshold, he/she was eligible to donate one tree sapling. Nearly 60 thousand of the Bank's employees participated in the event, and donated 10 thousand saplings in total.

#### Promoting the development of blue economy

#### PSBC Shanghai Branch's blue M&A project

PSBC Shanghai Branch successfully issued the blue M&A loan for Titan Wind Energy (Suzhou) Co., Ltd., supporting the renewable energy company's transformation, upgrading and business expansion in coastal areas, while facilitating it to scientifically utilize marine resources and promote the integrated development of marine economy and energy economy. Green finance and blue finance were integrated and mutually reinforcing. This is the branch's first M&A loan granted to a private enterprise engaged in the green clean energy industry, and also its first blue M&A loan. PSBC Shanghai Branch provided financing support of RMB560 million to the company.

#### PSBC Guangdong Branch unveils the Blue Finance Service Center

PSBC Guangdong Branch inaugurated its first Blue Finance Service Center in the coastal county of Yangxi. Richly endowed with marine resources, in recent years, Yangxi has leveraged its own resource endowment and industrial foundation, and seized opportunities for developing the marine economy. It has moved faster to advance the integrated development of "marine pastures + offshore wind power", and worked actively to create a new model of "marine granary + blue energy". The Blue Finance Service Center will build a rich product and service system and provide convenient deposit and wealth management, fund settlement, green financing and non-financial value-added services to special customer groups engaged in the blue economy.



PSBC Guangdong Branch unveils the Blue Finance Service Center



## Green and Low-Carbon Operations

- Green operations
- Green offices
- Green procurement
- Environmental activities for public welfare





## Green and Low-Carbon Operations

The Bank prioritizes resource conservation, promotes low-carbon operations, and continues to advocate and practice green operations. According to the national standard Energy Management System – Requirements with Guidance for Use (GB/T23331-2020), the Energy Management Manual of Postal Savings Bank of China Co., Ltd. was formulated, and the energy management system was established and put into trial operation. To strengthen internal control, the Rules of the Head Office of Postal Savings Bank of China on Energy Management (Revised Edition 2023) and the proposal entitled "Take the Lead in Embracing Green Lifestyles and Be an Important Participant in and Contributor to Building a Beautiful China - A Call for All Employees of China Post Group Corporation Limited" were issued to regulate employee behavior and raise the staff's awareness of green operations regardless of their positions.

The Bank has engaged external professional institutions to carry out annual greenhouse gas (GHG) emissions accounting on self-operated institutions, to comprehensively investigate the Bank's energy and resource consumption, and to scientifically formulate targeted carbon emissions reduction plans.

Carbon Emissions from the Bank's Own Operations in the Past Three Years					
	Unit	2023	2022	2021	
GHG emissions (Scope 1 + 2)	10,000 metric tons of CO <sub>2</sub>	63.69	60.73	57.62	
GHG emissions per employee (Scope 1 + 2)	metric ton of CO <sub>2</sub>	3.50	3.37	3.23	
Direct emissions (Scope 1)	10,000 metric tons of CO <sub>2</sub>	4.57	4.18	4.49	
Petrol	10,000 metric tons of CO <sub>2</sub>	3.31	3.13	3.47	
Natural gas	10,000 metric tons of CO <sub>2</sub>	0.97	0.86	0.81	
Diesel fuel	10,000 metric tons of CO <sub>2</sub>	0.01	0.02	0.02	
Others	10,000 metric tons of CO <sub>2</sub>	0.27	0.17	0.19	
Indirect emissions (Scope 2)	10,000 metric tons of CO <sub>2</sub>	59.12	56.56	53.12	
Electricity	10,000 metric tons of CO <sub>2</sub>	59.12	56.56	53.12	

#### Notes:

1 The scope of carbon accounting for the Bank's own operations in the past three years includes the Head Office, directly controlled institutions, branches and majority-owned subsidiaries.

© GHG accounting is based on the Greenhouse Gas Protocol, GB/T32150-2015 General Guideline of the Greenhouse Gas Emissions Accounting and Reporting for Industrial Enterprises, Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Public Building Operation Enterprises (Trial), Accounting Methods and Reporting of Greenhouse Gas Emissions of Land Transport Enterprises, and DB11/T1785-2020 CO2 Emissions Accounting and Reporting Requirements - Service Sector. ③ Others include fuels such as liquefied petroleum gas, coal, etc.

#### Green operations

▶ The enterprise-level paperless system "Jinjian" was launched. The Bank has thoroughly implemented the green development philosophy and accelerated digital transformation. In 2023, the enterprise-level paperless system "Jinjian" was officially launched. Integrating financial technology with business scenarios, the system can significantly reduce operating costs, and improve operational quality and efficiency. Aimed to be easy-to-use, visualized, and independently controllable for shared use, the enterprise-level paperless system has built a base of underlying capabilities, and covered all credit services of all institutions, all products and all processes. The system achieves four intensive management functions of report template, report application, report data and electronic signature, and provides five light-service tools of online editing, automatic display, structured storage, cross-system sharing and one-click archiving. It supports scenario-based applications such as intelligent access control, intelligent voice recognition and intelligent analysis of the results of pre-loan investigation, loan application review and post-lending management, and solves the pain points facing the business. The system also offers users a complete online integrated paperless experience ranging from retrieval, editing, signature to filing, laying a foundation for PSBC to accelerate digital transformation and deepen integrated risk control empowered by digital and intelligent technology.

Since put into operation in May 2023, the system has produced more than 180 thousand electronic reports for the credit line extension, reduced the consumption of paper by more than three million sheets and is expected to reduce more than 100 metric tons of carbon dioxide equivalent per year. It has won two national invention patents, the Operator Award of the Fintech Specialist Competition organized by Financial Computerizing, a magazine published by the People's Bank of China, and the Excellence Award of the PSBC Competition of Creative Ideas on Digital Transformation.

The green data centers were upgraded. The Bank used green energy-saving technologies to continuously drive the green development of data centers. It has built a new-generation dynamic environmental monitoring and Al-empowered energy efficiency management system, and a sound energy consumption monitoring mechanism and technical system for data centers, to achieve intelligent control of data centers' energy consumption. It adopted advanced solutions such as fluorine pump natural cooling, chilled water + multi-heat pipe air conditioning, waste heat recovery, hot/cold-channel closure, and photovoltaic power generation according to local conditions, and continued to build low-carbon, efficient, intelligent and advanced green data centers whose average PUE has declined year by year.



> The ability to prevent and control security risks was enhanced. The Bank continued to strengthen the security platform, added to it such functions as security situation awareness, increased the deployment of security equipment such as online behavior management, promoted security software such as traffic probe to tier-1 branches, and continuously strengthened the technical "firewall". The Bank passed the annual audit of ISO27001 Information Security Management certification, strictly carried out security management work as per international standards, and strengthened vulnerability scanning and phishing website monitoring. Strict access control measures were taken to strengthen system security protection and data export. Emergency drills were conducted on a regular basis, to continuously improve the emergency response efficiency and the capability of ensuring business continuity in all respects. To further enhance the capability to ensure network security, it participated in field drills, and improved the network security level.





- A low-carbon zone was launched on the mobile banking app. The Bank has launched the personal carbon account on the mobile banking app, to record users' low-carbon behavior in their daily lives, store corresponding carbon emission reductions, and guide the account holders to embrace green and low-carbon lifestyles. The users' financial behavior is linked to their personal carbon account, and the green and low-carbon e-banking is promoted, to improve the quality and efficiency of the Bank's low-carbon operations. As at the end of 2023, there were 361 million registered customers. During the reporting period, there were169.32 million monthly active users<sup>4</sup>, and the transaction value amounted to RMB16.01 trillion, a year-on-year increase of 9.28%.
- > The Bank continued to develop model outlets for green sub-branches, and designated 28 such outlets in 2023. These outlets made particular efforts in providing green credit services and improving the quality of green credit assets. They set up publicity corners on green finance, and organized mini-salons, mini-courses and lectures to spread the knowledge of green finance. They also set up PSBC Care Stations where the customers can have a rest, and get access to drinking water and publicity materials, among other considerate services. They improved the ability to promote and handle paperless business, reduced their energy consumption and achieved energy conservation and emissions reduction targets by means of energy efficiency benchmarking.

No.	Branch	Outlet	No.	Branch	Outlet
1	Zhejiang	Deqing County Sub-branch (Banking Department)	15	Shanxi	Yungang District Sub-branch (Banking Department), Datong
2	Zhejiang	Pan' an County Sub-branch (Banking Department)	16	Shanxi	Jincheng City Branch (Banking Department)
3	Hunan	Miluo City Sub-branch (Banking Department)	17	Tianjin	Huaihedao Sub-branch, Beichen District, Tianjin
4	Hubei	Dawu County Sub-branch (Banking Department)	18	Yunnan	Yongding Town Sub-branch, Fumin County
5	Hunan	Xiangxiang City Sub-branch (Banking Department)	19	Chongqing	Sub-branch directly controlled by Chongqing Branch (Banking Department)
6	Guangdong	Jianshe South Road Sub-branch, Yunfu City	20	Inner Mongolia	Taipusi Banner Sub-branch (Banking Department)
7	Zhejiang	Taizhou City Branch (Banking Department)	21	Qingdao	Liaoyang West Road Sub-branch, Shibei District, Qingdao
8	Beijing	Changzheng Street Sub-branch, Fangshan District, Beijing	22	Tianjin	Zhongshanmen Center North Road Sub-branch, Hedong District, Tianjin
9	Jiangsu	Wujiang District Sub-branch (Banking Department), Suzhou	23	Hubei	Jianghan District Sub-branch (Banking Department), Wuhan
10	Anhui	Zongyang County Sub-branch (Banking Department)	24	Chongqing	Liangjiang Branch (BankingDepartment), Chongqing
11	Fujian	Yanping District Sub-branch (Banking Department), Nanping	25	Heilongjiang	Hulin City Sub-branch (Banking Department)
12	Fujian	Shaxian District Sub-branch (Banking Department), Sanming	26	Hubei	Gucheng County Sub-branch (Banking Department)
13	Liaoning	Benxi County Sub-branch (Banking Department)	27	Hunan	Tianxin Sub-branch, Changsha
14	Jiangsu	Haian City Sub-branch (Banking Department)	28	Sichuan	Qingbaijiang District Sub-branch (Banking Department), Chengdu

4. Monthly active users are the users who have opened the mobile banking app in the current month.



Picture 1: Lecture on green finance - PSBC Jiangsu Haian City Sub-branch (Banking Department)



Picture 3: Publicity screen for green loans - PSBC Zhejiang Deqing County Sub-branch

Picture 2: PSBC Care Station - PSBC Guizhou Guiyang City Zhonghua North Road Sub-branch

Picture 4: TV publicity screen - PSBC Datong City Yungang District Sub-branch



## Green offices

O Honoring the eco-environmental protection commitments made, the Head Office signed the Letter of Responsibility on Ecological and Environmental Protection in 2023 with the heads of 36 tier-1 branches and majority-owned subsidiaries, and actively implemented the energy conservation and carbon reduction plans formulated by the central government, Beijing Municipality and Xicheng District. In 2022 and 2023, the Head Office completed the total energy consumption control target for two consecutive years, and its comprehensive total energy consumption and energy intensity decreased year by year. It was rated "Excellent" in the annual energy conservation assessment conducted by Xicheng District Development and Reform Commission. In the next step, the Bank will continue to develop the carbon emissions data management system, carry out the GHG accounting of the operations of the Bank's directly-operated institutions, and speed up to collect, collate and label the carbon emissions data. The Bank will continue to develop low-carbon energy-efficient buildings, promote the use of new energy and clean energy vehicles, and work continuously to meet the energy conservation targets as required by the local government's energy conservation target responsibility system.

Column Branches' Efforts to Optimize the Administrative Measures for Green Office Operations and Comprehensively Promote Energy Conservation and Emissions Reduction

Branch	Measures on green operations
Guangdong Branch	It formulated the List of Things to Do to Implement the Instructions of General Secretary Xi Jinping, Practice Frugality and Reduce Waste of PSBC Guangdong Branch, and organized learning sessions on frugality and anti-waste.
Zhejiang Branch	It issued the Notice on Quantitative Control of the Consumption of Electricity, Water, Paper, Natural Gas and Gasoline in the Operating Buildings of the Provincial Branch in 2023, integrated green office practices into daily work, and advanced the building of green organs with the staff. It also issued the Proposal on "Green Offices and Low-carbon Lifestyles" of PSBC Zhejiang Branch, calling on all employees to go green, promote green offices, advocate green commuting, and create a strong atmosphere for green operations.
Jiangxi Branch	It issued the Notice on Green Office-related Work, practiced paperless office work, purchased energy-efficient products, used water and electricity more efficiently, and promoted waste recycling, to build the energy-optimized green office model.
Guangxi Zhuang Autonomous Region Branch	It issued the Notice on Developing Green Offices, popularized low-carbon knowledge, cultivated a corporate culture that advocates energy conservation, practiced green offices, and incorporated green office practices into the tour inspections and daily supervision.
Qinghai Branch	It issued the Notice on Green Office Work of the Headquarters of PSBC Qinghai Branch, carried out green office activities, and did a good job in meeting energy consumption criteria.
Xinjiang Uygur Autonomous Region Branch	It formulated the Evaluation Standard for Green Sub-branch Demonstration Outlets (Edition 2023), and enhanced the Bank's green operation capability and raised the staff's green office awareness through the evaluation of green sub-branch demonstration outlets.
Ningbo Branch	It formulated the Ten Rules of Professional Conduct for Employees of PSBC Ningbo Branch, which strictly stipulates and advocates green office practices, including conserving water, electricity, paper and ink printing, forbidding leaving the lights on or the tap water running in unoccupied rooms or office equipment on for years, and conducting irregular spot checks; the persons who violate the rules will be named and shamed, with accountability pursued.
Qingdao Branch	It issued the Notice on Further Strengthening the Management of Electricity Consumption, emphasized strict management of air conditioning, lighting systems and other office equipment, strengthened daily supervision, and organized irregular checks on the effect of energy conservation and consumption reduction. It also included the use of office supplies by various departments in the annual performance assessment.

(2) The Bank promoted the sustainable development of low-carbon energy-efficient buildings. During the reporting period, the branches adhered to the construction principles of "improving efficiency and promoting green development", strictly implemented the requirements of local governments, and solidly and orderly advanced the construction of low-carbon energy-efficient office buildings. For example, the renovation of the business premises of PSBC Zhejiang Branch was designed in strict accordance with the Design Standard for Energy Efficiency of Public Buildings; the business premises of PSBC Guangdong Dongguan Branch were designed and constructed in strict accordance with the national standard one-star criteria of the Implementation Plan for the Green Building Action in Dongguan. The Hefei Base (Phase III) construction project has employed advanced construction technology and produced outstanding comprehensive benefits. It applied 22 latest technologies of 9 categories, obtained more than 20 national, provincial/ministerial-level construction methods and patents, Building Information Modelling (BIM) competition certificates, and quality control (QC) achievements. The solar energy system of the base has an installed capacity of 125.35 kW and an annual power generation capacity of 132 thousand kWh, all of which is generated and used by the base, realizing the use of green electricity. In December 2023, the project was awarded the National Quality Engineering Award by the China Association of Construction Enterprise Management.

#### Column | Beijing PSBC Building (Municipal Administrative Center)

In the construction process of Beijing PSBC Building (Municipal Administrative Center), the construction cost was effectively curbed thanks to scientific management. The office space is comfortable, eco-friendly while economical and practical, embodying the corporate culture. The building is people-centric, green, modernized and Al-empowered. As to its decoration materials, the building used products that met relevant national and local environmental requirements, and prioritized the use of renewable, high-strength, high-performance building materials that were certified and labeled as green building materials, so as to reduce energy consumption and pollution. As to intelligent building management, a carbon data monitoring platform was built, and terminal equipment such as electricity meters, water meters, and cold and heat meters were installed to realize real-time measurement of energy consumption, and provide data support for carbon emissions statistics. The building's carbon emissions data are analyzed in real time and displayed on screens, and the data analysis reports are used to help monitor and manage environmental protection and energy conservation progress, and implement relevant measures.

During the reporting period, the PSBC Building was rated as a



green building by the Beijing Municipal Commission of Housing and Urban-Rural Development.



Beijing PSBC Building (Municipal Administrative Center)



## Green procurement

The Bank promotes green procurement in such aspects as system design, process requirements, and standards formulation, and gives priority to the procurement of green low-carbon products.

#### $\sqrt{01}$

The Bank clearly advocates the principles of openness, equality and fairness in the procurement management system and gives priority to the procurement of energy-efficient, eco-friendly products, the identified green products, and products that meet green packaging and green transportation requirements.

#### 02

The Bank urges suppliers to assume environmental responsibilities throughout the procurement process, and gives considerable weight to their environmental performance, environmental management and fulfillment of other environmental responsibilities in such stages as eligibility evaluation, business scoring, agreement conclusion and post-assessment.

#### 03

The Bank continuously demands suppliers to sign and fulfill the Agreement on Energy Conservation, Emissions Reduction, Environmental Protection and Green Development, with 105 suppliers signed in 2023. It also continuously empowers the suppliers and propels them to jointly fulfill their social responsibilities such as environmental protection.

## Environmental activities for public welfare

#### The PSBC Love Charity Program

The "PSBC Love Charity Fund", which turned six in 2023, focuses on the field of education, provides financial and other support for the education and growth of students, and actively gives back to society. It raised RMB11,707.9 thousand in 2023, and donated two physical education classrooms and gift packages to rural primary school students in Dongchuan District, Yunnan Province. On "PSBC Love Charity Day", the Bank called on all employees and other like-minded people to make donations, and institutions at all levels organized environmental activities and community services to mark the Day, including neighborhood services, brisk walking and tree planting, to spread the spirit of "PSBC Love Charity" to the society. In 2023, 61% of the students of the "PSBC Love Class" were admitted into college, including some outstanding ones admitted to Peking University, Tsinghua University, Zheijang University, Nankai University, Harbin Institute of Technology, Beijing Normal University and Central University of Finance and Economics, among other prestigious universities. The recipients of the "PSBC Love Scholarship" totaled 1,346. The Class of 2023 was officially opened, and the Bank's volunteer representatives attended the class opening ceremony in some schools, participated in interactive activities and special classmeetings, visited some students' families, and brought with them the Bank's love.

#### The "PSBC Love Seed Project"

The Bank has established a long-term contact mechanism with students of the "Post Love Class", provided internship and employment opportunities for the aid recipients, and encouraged outstanding students to join the Bank after college graduation and help develop their hometown. In 2023, the Bank offered students of the 2017 Class summer internships in sub-branches in Sichuan, Yunnan, and Qinghai. In the campus recruitment campaign, the Bank recruited several "PSBC Love Seed" students who now do their parts to advance rural revitalization



Bronze plaque for being rated as the "Best Outdoor Workers Service Station" by the All-China Federation of Trade Unions in 2023

#### Developing and promoting the "PSBC Care Station"

The Bank has launched considerate public services and continued to improve the customer experience and further expand the brand influence of the outlets. It actively promoted the "PSBC Care Station" at outlets, and formulated the construction and service standards. The "PSBC Care Station" provides outdoor workers with a place to rest, with access to drinking water, charging facilities, hygiene products, and publicity materials. The Station is also open to customer groups with special needs, with wheelchair-accessible services and infant care services. By the end of 2023, the Bank had opened 4,861 "PSBC Care Stations", covering all provincial- and prefecture-level branches and sub-branches. Forty-nine of them were rated as the "Best Outdoor Workers Service Station" by the All-China Federation of Trade Unions in 2023.

#### Column | PSBC Wealth Management Achieving Carbon Neutrality in Principal **Operations for the Second Consecutive Year**

PSBC Wealth Management Co., Ltd. actively explored the path to green and low-carbon development, completed the 2022 carbon emissions accounting and verification of its main operations, and offset the emissions by purchasing the equivalent China Certified Emission Reduction (CCER). The Bank obtained the carbon neutrality certificate issued by the Beijing Green Exchange and became the first wealth management company to become carbon neutral in principal operations for the second consecutive year. All this has shown its resolve and sense of responsibility to actively respond to climate change and pursue green and low-carbon development. The company's green finance and ESG practice was awarded the "Best Corporate Case of ESG and Green Finance of 2023" by xinhuanet.com and the "ESG Pioneer Practitioner of 2023" by Securities Daily, and the "Best Practice of Green Finance Innovation of 2023" by The Chinese Banker.



## Data Security Management and Privacy Protection

- Improving the data security governance framework
- Improving the data security management system
- Promoting data classification, grading and management
- Strengthening data security and privacy protection measures
- Strengthening risk monitoring and control
- Fostering a data security and compliance culture
- Strengthening systems' disaster recovery and business continuity assurance capabilities





## Improving the data security governance framework

The Bank attaches great importance to data security. Within the enterprise-level IT risk management framework, the Bank has established an organizational structure for data security management consisting of the Board of Directors, the Board of Supervisors, the senior management and the execution level. The IT Risk Management Committee of the Head Office deliberates on, decides and deploys material matters relating to data security across the Bank. In 2023, the Board of Directors, the Board of Supervisors, the IT Risk Management Committee of the Head Office and the President's special meetings considered 14 issues in the field of data security, discussed the progress of relevant work, and guided the effective execution of data security work.

#### The Bank has established three lines of defense to ensure data security



Third line of defense

l aspects of data security to achieve closed-loop control of data security risks.

The Data Management Department of the Head Office is the centralized data security management department, and coordinates data security management work within the enterprise-level IT risk management system. Centering around the Bank's data security management objectives and taking into account the respective responsibilities of the above three lines of defense of the Head Office for ensuring data security, the Bank formulated the plan for building the data security team of the Head Office, and set up full-time managerial positions and part-time positions for data security. To further strengthen data security management, the Data Security Division was set up at the end of 2023, consisting of full-time data security managers, to push ahead the data security management work across the Bank

## Improving the data security management system

The Bank has earnestly implemented applicable laws and regulations and continuously improved the data security management system. In 2023, the Bank released the Implementation Rules for Data Classification and Grading and the Implementation Rules for Data Security Control by Grade, and established the bank-wide data classification and grading mechanism. It clarified the requirements for data management by grade throughout the process of data processing activities, and improved the ability to ensure data security. As of the end of the reporting period, the Bank had issued 10 administrative policies on data security, laying the institutional basis for data security management across the Bank.

## Promoting data classification, grading and management

In 2023, the Bank continued to optimize the data classification and grading method, system and mechanism, and launched tools for automatic data classification and grading, to provide basic support for data classification and grading management and control by grade. The Bank accelerated the implementation of data control by grade across the Bank. As of the end of the reporting period, the data classification and grading practice had covered all systems certified as Level 3 and above by the national information security protection rating system, and other important information systems.

While continuously promoting internal data classification and grading, the Bank actively participated in the pilot implementation of the national standard Data Security Technology - Rules for Data Classification and Grading, and explored the methods and practices of implementing it in the financial sector, thus accumulating experience in data classification and grading.

In accordance with applicable laws, regulations and regulatory requirements, while classifying and grading the Bank's information system data, the Bank fully utilized the classification and grading results to form a strategy database for data security management by grade, and exercised management by grade in key fields and scenarios. Data security requirements were incorporated into the software R&D process management system, and security testing and verification were conducted on the system data security requirements, design and R&D results, to ensure the implementation of data security management throughout the lifecycle of information systems.

## Strengthening data security and privacy protection measures

Data security assessments of key scenarios was conducted. More than one hundred data exchange security impact assessments were conducted for key scenarios such as external data access, access for Internet lending institutions, and data sharing, in cooperation with business, technology, legal, risk management, compliance and other relevant parties, to fully ensure a secure and compliant environment for business operations and data exchange.

- ▶ The technology capability for ensuring data security was strengthened. The Bank stepped up efforts to monitor, analyze and issue alerts about the security status of system operations, strengthened host computer and terminal security, and continuously enhanced the capability of information system protection. A data desensitization system was built to meet different data desensitization needs. And a key management platform was established to provide services such as encryption, key management and signature verification. The Bank also deployed the terminal data leakage prevention system, focusing on preventing the leakage of customers' personal information and important and sensitive data.
- ▶ Cutting-edge original technologies were put into use. The Bank explored generative artificial intelligence technology particularly for such scenarios as data classification and grading and Q&A. A multi-party secure data computing platform was built, on which data are "available but invisible" for sharing, injecting new data value into business development, and guaranteeing the compliant use of internal and external data.
- ▶ Electronic channel privacy protection was enhanced. The Bank fully protects the customers' right to know and the right to choose in electronic channels. The PSBC E-Banking Privacy Policy and PSBC Rules for the Protection of Personal Information of Children in E-Banking are prominently displayed on the pages of our mobile banking app, personal banking on the official website and the official public account on WeChat, informing customers of how the Bank collects, uses, stores, protects, shares, forwards, publicly discloses and manages customers' personal information in electronic channels. The Bank also stepped up efforts to implement requirements for "notification-consent" and separate authorization in the service flow of the electronic channels, to ensure the customers' consents are obtained before using their personal information. The updates on the e-channel privacy policy now can be promptly pushed to customers so that they could obtain the latest updates of the Bank' s privacy policy as soon as possible. The Bank also refined the types of information shared by third-party organizations, the validity period query and batch revocation functions, and now provides a convenient view of the system access management for the customers, so that the customers can easily check or revoke the authorization status on the use of their key personal information.



## Strengthening risk monitoring and control

The Bank has established the administrative mechanisms for data security risk monitoring, assessment and audit, and emergency response, improved its data security management capability in terms of prevention, assessment and post-event audit and inspection, and promoted the "closed-loop" data security risk monitoring and control.

- Data security audit. In 2023, data security audits were conducted on 28 departments of the Head Office and six tier-1 branches, with particular attention to data security and the management structure for customer information protection, sensitive data management, external data management, travel data management and security impact assessment, to strengthen data security supervision, and form a closed loop for data security risk prevention and control.
- Data security checks. In 2023, the Bank inspected the data security status of branches at all levels in terms of administrative rules on data security, data classification and grading, data security training, external data cooperation and terminal management, and supervised and guided the effective implementation of data security management requirements.
- Comprehensive security assessment. Benchmarking against the latest regulatory requirements, the Bank conducted the 2023 data security assessment on all institutions and departments directly controlled by the Head Office, 36 tier-1 branches and three majority-owned subsidiaries, covering the data security governance system, fulfillment of responsibilities, classification and grading, lifecycle security and other areas. Based on the assessment results, the Bank grasped the basic situation of data security, accurately identified gaps and deficiencies, and formulated corresponding improvement plans.

Emergency response. The Bank prepared the Emergency Plan for Data Security Incidents, clarifying the grading rules for data security incidents, as well as the organizational structure, responsibilities and process of emergency response. It strengthened the emergency drill for data security incidents and improved the emergency response capability by prioritizing preventive measures, scientific decision-making, rapid response, collaboration and coordination.

## Fostering a data security and compliance culture

The Bank continued to strengthen training on data security, raised the staff's awareness of data security, and made sure that responsibilities for data security were fulfilled. In 2023, it held six large-scale data security-related training sessions to build a bank-wide security protection shield that engages every employee.

## Strengthening systems' disaster recovery and business continuity assurance capabilities

In 2023, the Bank continued to strengthen the information systems' disaster recovery capabilities and organize drills to enhance the business continuity assurance capability. A total of 270 emergency response drills were conducted, involving application, system, network, security, and power business lines. The Bank also organized 596 cross-center disaster recovery drills with real scenarios for 143 application-level disaster recovery systems as planned, covering all major information systems. Through regular real-scenario switching drills, it examined the disaster recovery level, identified problems, formulated rectification measures, checked the rectification effect, and thus formed a sound whole management process covering the confirmation of business continuity indexes, grading of the disaster recovery system, formulation and evaluation of technical solutions for disaster recovery, disaster recovery ability building, switching drills, problem rectification, and the optimization of the disaster recovery system.

During the reporting period, the Bank completed the 2023 business continuity stress test organized by the People's Bank of China for the financial industry. It had 21 systems participating in the stress test, including the new-generation personal business core system and many key business systems and related systems. These systems were highly sophisticated, and involved a wide range of businesses and a large number of participants. Through this stress test, the Bank effectively tested the organization and orderliness of its emergency response team, the effectiveness of its emergency response plans and the capability of its business continuity assurance.





## Research Achievements

- Forward-looking studies
- Industry-specific strategy study





The Bank closely tracks the latest development of the carbon neutrality policy, with a focus on key areas such as green finance, transition finance and carbon finance. It has strengthened the research on key green industries, and enhanced the forward-looking research capacity of green industries. The Bank has strengthened the application of research results in customer marketing, review and approval, credit policy and risk management, and enhanced the foresightedness and effectiveness of risk management, to lead the high-quality development of green finance business.

## Forward-looking studies

#### "Actively Explore Commercial Banks' Finance for a Just Transition"

This paper was published in the second issue of China Banking in 2023. As China's major financial institutions, commercial banks play an important role in supporting the just transition and developing just transition finance. In order to explore and develop just transition finance, better support the just transition, and gradually and orderly achieve the carbon peaking and carbon neutrality goals, it is imperative to actively deepen the research on the just transition and related finance, establish a sound policy coordination system for it, integrate the just transition into the ESG management system of commercial banks, and form an ecosystem of just transition finance.

#### 2 "Transition Finance Supporting Just Transition: The Role of Commercial Banks"

For this joint research project, the research group proposed a principled framework for commercial banks to establish a financial management system for just transition from such dimensions as corporate governance, strategy design, policy systems, product innovation, incentive and constraint mechanisms, and risk management. At the same time, they identified the existing key bottlenecks and challenges encountered in practice, and put forward targeted suggestions to stakeholders such as government agencies, commercial banks, enterprises in the real economy, and third-party institutions. The project was concluded during the reporting period.

#### 3 "Green Credit Policy and Green Innovation of Enterprises - Empirical Evidence from the Perspective of Green Industries"

Published in Financial Economics Research, Issue 2, Volume 38, 2023, this paper, from the perspective of green industries, empirically analyses the impact of the green credit policy on green innovation of enterprises and how. It suggests improving the green credit policy system, tapping and cultivating the effective market demand for green products and services, and guiding substantive green innovation, to promote the development of green industries and the green transformation of development methods.

#### 4 "On the Green Transformation of Industries under the Carbon Peaking and Carbo Neutrality Goals" (PSBC Hunan Branch)

Published in Issue 9 of China Finance in 2023, this paper examines the four paths of carbon reduction under the carbon peaking and carbon neutrality goals, and points out the direction for the green transformation of industries accordingly. It proposes to give play to the policy synergy, build a financial system that supports such a transformation, use market-oriented mechanisms to reduce carbon emissions in related industries, and pay close attention to transition risks.

#### (PSBC Hunan Branch) "On the Carbon Price Trend and the Banks' Service Strategy" (PSBC Hunan Branch)

Published in Issue 17 of China Finance in 2023, this paper points out that with the maturity of China's carbon emissions trading market, carbon quota trading will tend to stabilize over time, and the domestic carbon price will converge with the international carbon price and show an upward trend. It suggests that commercial banks should take precautions, plan in advance, adjust the credit policy orientation in a timely manner, establish a risk alert mechanism, and actively develop new carbon financial products, and provide high-quality, comprehensive services to help China achieve the carbon peaking and carbon neutrality goals.

#### "Build a Personal Carbon Account Platform and Turn Green Behavior into Wealth" (PSBC Hunan Branch)

Published in Issue 342 of the journal Financial Computerizing of 2023, this paper puts forward thoughts and suggestions on the impact of personal behavior on global carbon emissions reduction, how to measure green behavior, and how to translate personal green behavior into wealth through personal carbon accounts.

## 7 "On the Effect of Green Finance on the Optimization of Industrial Structure under the Carbon Peaking and Carbon Neutrality Goals" (PSBC Chongqing Branch)

This study starts with the analysis of the intermediary effect of green finance on the optimization of industrial structure in the green finance reform and innovation pilot zone, identifies the weaknesses and strengths in the development of green finance, and makes a comparative analysis of the causes. In light of Chongqing's master plan for the green finance reform and innovation pilot zone and its industrial structure, the research group proposed suggestions on how to better optimize the industrial structure through green finance. The research project was awarded the first prize among projects sponsored by Liangjiang Finance Fund of Chongqing Finance Society in 2023.

## <sup>(8)</sup> "The Financial Support Model for Green Agriculture, Difficulties Encountered and Countermeasures" (PSBC Guangdong Branch)

This paper probes into and discusses the background of financial support for green agriculture, the characteristics of green agriculture, the financial support model for green agriculture, related practices at home and abroad, and existing difficulties. It then puts forward suggestions such as improving the incentive and constraint mechanism and the risk sharing mechanism of financial institutions, developing new financial products for green agriculture, developing the financial model serving the industry chain of green agriculture, and stepping up efforts to cultivate financial professionals specialized in green agriculture.

## 9 "On the Climate Investment and Financing Paths of Commercial Banks under the Goal of Common Prosperity" (PSBC Zhejiang Branch)

This paper sorts out China's set of policies for responding to climate change, and in particular examines the actual situation of Zhejiang Province and Lishui City and the opportunities and challenges facing commercial banks in the field of climate investment and financing. It also systematically explains the impact of green finance innovation on the value of enterprises. Leveraging the platform provided by Lishui as a pilot city for climate investment and financing, PSBC Lishui Branch's use of the eco-credit evaluation system for enterprises in the credit policies and credit products has shed light on the relevant paths for the Bank to seek innovation in and develop climate investment and financing.

## Industry-specific strategy study

The Bank has conducted research on clean energy, the low-carbon transition of conventional energy, and green, low-carbon emerging industries, including such segments as solar power generation, clean use of coal, clean fuel production, the industry chain of hydrogen energy, and electrochemical energy storage. A wealth of research results have been published, including A Study of the Wind Power Equipment Industry and Thoughts on the Credit Strategy, Thoughts on the Credit Strategy for the Nuclear Power Equipment Industry, A Study of the Green Methanol Industry and Thoughts on the Credit Strategy, Research Report on the Power Battery Recycling Industry, Thoughts on the Credit Strategy for the Silicon Carbide Devices Industry, A Study of the Core Raw Materials of Power Batteries and Credit Extension Suggestions, A Study of the Degradable Plastics Industry and Credit Extension Suggestions, A Study of the High-performance Aluminum Alloy Industry and Credit Extension Suggestions, and The Business Development Strategy for the Clean Energy Industry. The Bank has also increased support for local state-owned energy enterprises and leading clean energy equipment manufacturers, broadened customer and industry channels, and actively sought business innovation, to drive the high-quality, sustainable development of green finance.



## Honors and Awards





Honors and Awards			
Awards of 2023	Issued by		
Advanced Organization in Green Bank Evaluation	China Banking Association		
Model Case of Digital Transformation of Public Companies	China Association for Public Companies		
Best Case for ESG of Public Companies	China Association for Public Companies		
ESG Pioneer Practitioner	Securities Daily		
Excellent Institution of Financial Innovation	The Chinese Banker		
Grade A in ESG Rating	MSCI		
Best Financial Institution	Green Finance Forum of 60 (GF60)		
Excellent Institutional Investor of ChinaBond Green Bond Index	China Central Depository & Clearing Co., Ltd.		
Best Practice of ESG Risk Management Award	China Financial Risk Managers Forum		
Excellent Case of ESG and Green Finance	Seminar on ESG Practice in China		
Excellent Green Finance Award	JRJ.com		





## Appendices

- Appendix 1: Index of the
   Guidelines on Environmental
   Information Disclosure for Financial
   Institutions
- Appendix 2: UN Principles for Responsible Banking (PRB) Report and Self-Assessment
- Appendix 3: Index of the Former TCFD Recommendations
- About the Report





Appendix 1: Inc	dex of the Guidelines on Environmental Information Discle Financial Institutions	osure for
Index	Content	Page
Environment-related governance structure of financial institutions	a) The information about the green finance committee set up by the Board of Directors, the environment-related strategic objectives of the institution, the analysis and judgment of environment-related risks and opportunities, and the management, supervision and discussion of environment-related issues.	P11-P13
	b) The information about the managerial positions or internal institutions related to green finance set up at the senior management level, and the main responsibilities and reporting routes of such managerial positions or internal institutions.	P14-P17
	c) The implementation and effectiveness of green finance-related work at the professional department level within the scope of their responsibilities.	P17-P18
	a) The environment-related internal management policies, in particular the policies and measures introduced and implemented during the reporting year.	P25-P28
Environment-related policies of financial institutions	b) The information about the implementation of national and regional environmental policies, regulations and standards relevant to financial institutions.	P25-P28
	c) The information about the compliance with and adoption of related international climate and environmental conventions, frameworks, initiatives, etc.	P5-P6
Innovation of environment-related products and	a) The information about innovative products and services of green finance developed; in the case of credit products, disclosure may include, but is not limited to, the product name, scope of issuance, innovation point (repayment source, disbursement target, interest rate, term, purpose, etc.), operating model, and operation status.	P37-P56
services of financial institutions	b) Environmental and social benefits of the innovative products and services of green finance.	P37
Environmental risk	a) The process for identifying and assessing environment-related risks.	P31
anagement process of financial institutions	b) The process for managing and controlling environment-related risks.	P31
npact of environmental factors on financial	a) Environmental risks and opportunities.	P33
institutions	b) Quantitative analysis of environmental risks.	P34
Environmental impact of investment and	a) Environmental impact of commercial banks' investment and financing activities.	P37
financing activities of financial institutions	b) Measurement and expression of the impact of environmental risks on financial institutions' investment and financing.	P37
	a) Direct greenhouse gas emissions and natural resource consumption from the operations of financial institutions.	P59
Environmental impact of financial	b) Indirect greenhouse gas emissions and indirect natural resource consumption from products or services procured by financial institutions.	P59
institutions' operations	c) Environmental benefits of environmental protection measures taken by financial institutions.	P60-P66
	d) The quantitative measurement of the environmental impact of the operation.	P59
Data sorting, verification and	a) Regularly sort out and verify the quality of environment-related statistical data of the institution, establish a data management system and process, further improve the quality of relevant basic data, and ensure the timeliness and accuracy of data and disclosed information.	P32
protection	b) Use appropriate technical means to ensure data security and the rights and interests of data subjects.	P69-P71
	c) Prepare an emergency plan and respond promptly to possible data security incidents.	P71-P72

Green finance innovation and	a) Cases of green finance innovation practice.	P48-
research results	b) Domestic and foreign research results and prospects of green finance, environmental risk analysis, etc.	P75-
Other environment-related information		-
Appendix 2: UN	Principles for Responsible Banking (PRB) Report and Self-A	
Content	Response	Link a refere
	s strategy to be consistent with and contribute to individuals' needs and society' s goals, nent Goals, the Paris Climate Agreement and relevant national and regional frameworks.	
1.1 Business model Describe (high-level) yo bank's business model including the main custom segments served, types products and service provide the main sectors and types activities across the maj geographies in which yo bank operates or provid products and services. Plea also quantify the information disclosing, e.g., the distributi (%) of your bank's portfolio terms of geographies, segme (i.e., by balance sheet and/ off-balance sheet) or by disclos the number of customers a clients served.	and agency outlets, the Bank has built an extensive service network of nearly 40 thousand outlets, covering about 99% of counties in China, 70% of which are in areas at and below the county level. The Bank has become a major provider of modern banking services in remote areas and built a highly trusted and popular network close to customers. It has trained a professional, dedicated and attentive inclusive service team and served over 660 million urban and rural residents, with more than 24 thousand account managers serving MSEs. Meanwhile, online and offline services are integrated to provide considerate services to MSEs. The Bank has become a pioneer and practitioner of inclusive finance in China. Since its by establishment, the Bank has granted accumulatively more than RMB10 trillion of loans to MSEs and self-employed individuals. The balance of the Bank's agriculture-related loans was RMB2.15 trillion, and the balance of inclusive loans to MSEs was RMB1.46 trillion, with the proportion of each loan in the total loans of the Bank ranking among the forefront of the large state-owned banks.	See the PS CSR (ESG) Report 202 P9, "About P18, "Strengthe Services B on Resource Endowme
1.2 Strategy alignment Does your corporate strate identify and reflect sustainabi as strategic priority/ies for yo bank? Does your bank al reference the following framewo or sustainability regulator reporting requirements in strategic priorities or policies implement these: UN Guidi Principles on Business at Human Rights, Internation Labour Organization fundamene conventions, UN Glob Compact, UN Declaration the Rights of Indigeno Peoples, any applicable regulat reporting requirements of environmental risk assessmere e.g. on climate risk, and a applicable regulatory reporti requirements on social ri assessments, e.g. on mode slavery?	lity development plan for the 14th Five-Year Plan period. The Bank supports the United Nations' Sustainable Development Goals (SDGs) for 2030 and the Paris Agreement, actively benchmarks against international standards, and adopts the Principles for Responsible Banking (PRB). The Bank has joined the United Nations Environment Programme Finance Initiative (UNEP FI). It signed the United Nations Sustainable Blue Economy and Finance Initiative, being the first large state-owned commercial bank in China to do so. PSBC is positioned to serve Sannong customers, urban and rural residents and SMEs since its establishment. The Bank has since then incorporated its business philosophy of "working on the trivial work even others despise; working towards stability rather than big profit" into its mission of "delivering accessible financial services in both urban and rural areas". us ony sk	See this re P1-8, "Foreword P19-22, "Strategy" See the PS CSR (ESG) 2023: P13-22, "C Forward th 100-Year Tradition of Inclusive F and Cultivating Fertile Soil Inclusive



### Content Response Principle 2: Impact & Target Setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end we will set and publish targets where we can have the most significant impacts.

2.1 Impact analysis Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target setting.

#### 2.2 Target setting

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative) Achievable Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately

a) Alignment: Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

Please disclose other and/or additional indicators you have identified.

c) SMART targets (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose

d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analyzed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

In 2023, the Bank focused on ESG issues such as supporting the real economy, rural revitalization, technology finance, inclusive finance, pension finance, green finance, digital finance, the protection of consumer rights and interests, the improvement of the customer experience, the development of human capital, and corporate governance, and continued to respond to the concerns of stakeholders.

The Bank sets and publishes targets for green finance and financial inclusion

In terms of green finance:

It incorporates the goals of reaching peak carbon emissions and carbon neutrality and green banking development in the Outline of the Development Plan for the 14th Five-Year Plan Period of the Bank. Its vision is to build a first-class green and inclusive bank, a climate-friendly bank, and an eco-friendly bank. Its main objectives are to deepen the development of a green and inclusive bank, a climate-friendly bank, and an eco-friendly bank; actively support green, low-carbon and circular economy based on the principles of risks under control and business sustainability; vigorously develop sustainable finance, green finance and climate financing; move faster to develop new products and services in the areas of green finance, blue finance, biodiversity conservation, transition finance, just transition and corporate carbon accounting: strengthen ESG and climate risk management, and enhance the professional capacity and industry influence in the field of green finance; enable green loans to outgrow other loans across the Bank. In terms of inclusive finance:

With both directly-operated outlets and agency outlets, PSBC has built an extensive service network of nearly 40 thousand outlets, covering about 99% of counties in China, 70% of which are in areas at and below the county level. The Bank has become a major provider of modern banking services in remote areas and built a highly trusted and popular network close to customers. It has trained a professional, dedicated and attentive inclusive service team, and served 663 million personal customers.

See this report: P19-22, "Strategy" See the PSBC CSR (ESG)

Link and

See the PSBC

CSR (ESG)

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Report 2023:

"Substantive

Report 2023: P18, "Strenathenina Specialized Services Based on Resource Endowment'

Content

monitorina

#### 2.3 Target implementation and

For each target separately: show that your bank has implemented the actions it had previously defined to meet the set target.

In terms of green finance: The Bank formulated the Key Points of Green Finance Work for Peaking Carbon Emissions and Achieving Carbon Neutrality of Postal Savings Bank of China in 2023, and established seven key tasks regarding organizational management, policies and systems, product innovation, incentive and constraint mechanisms, technology empowerment & risk management, information disclosure and environmental and social performance. As at the end of 2023, the balance of green loans stood at RMB637,878 million, meeting the target of the year. In terms of inclusive finance: Since its establishment, the Bank has granted accumulatively more than RMB10 trillion of loans to MSEs and self-employed individuals. The balance of the Bank's agriculture-related loans was RMB2.15 trillion, and the balance of inclusive loans to MSEs was RMB1.46 trillion, with the proportion of each loan in the total loans of the Bank ranking among the forefront of the large state-owned banks. By the end of 2023, the net increase of the Bank's agriculture-related loans had been more than RMB100 billion for 10 consecutive years.

#### Principle 3: Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients' transition. selected indicators on client engagement and, where possible, the impacts achieved.

In terms of green finance: PSBC actively and orderly promotes carbon accounting for corporate customers with non-mandatory disclosure of environmental information, and provides real-time online GHG emissions accounting for enterprises. As at the end of 2023, it had completed carbon accounting for 4,067 corporate customers accumulatively, with 1,885 new clients added in the year, or an increase of 86.39%. It actively promoted sustainability-linked financial products and granted the first just-transition loan in China. Part of the loan funds will be used to provide rotation training and operational gualification training for employees in the process of low-carbon transition and development. It launched the first "carbon emission reduction facility + sustainability-linked + e-CNY loan" loan business in the country. The loan links the loan interest rate to the newly installed capacity of renewable energy power generation by the borrower during the agreed period, so as to incentivize it to reduce emissions voluntarily. The Bank launched the personal carbon account in the low-carbon zone of its mobile banking app, to record the account holder's daily low-carbon behavior and guide more customers to embrace environmental protection and low carbon lifestyles. As to supply chain management, it continues to demand suppliers to sign and fulfill the Agreement on Energy Conservation, Emissions Reduction and Green Development, and strengthen and promote suppliers to jointly perform CSRs such as green practice and environmental protection. In terms of inclusive finance: The Bank launched a pilot path for realizing the value of eco-products through

business approval in Zhejiang.

## 2023 Environmental Information Disclosure (Green Finance) Report

#### Response

### Link and

See this report: P1-8 "Foreword" P19-22 "Strategy

See the PSBC CSR (ESG) Report 2023 P13-22, "CSR Feature: Carrying Forward the 100-Year Tradition of Inclusive Finance and Cultivating the Fertile Soil of Inclusive Finance'

finance. Based on the local "Green Valley Points", the "Eco-credit Loan" was launched, a pure-credit loan for rural households, to promote the mutual transformation and healthy development of the gross ecosystem product (GEP) and the regional GDP. The Bank also used the carbon credit evaluation pilot system, the first in China, to provide targeted inclusive financial service tools for MSEs and used the carbon credit rating result as one of the requirements for

See this report: P41-47, "Innovation in Green Financial Products and Services"

See the PSBC CSR (ESG) Report 2023: P20, "Exploring the Deep Integration of Green Finance and Inclusive Finance" P98, "Supply Chain Management"





#### Content

#### 3.2 Business opportunities Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages - climate, social bonds - financial inclusion, etc.).

Vigorously developing sustainable finance is not only the responsibility of commercial banks to implement national policies, fulfill social responsibilities and promote sustainable development, but also an inherent requirement to seize policy and market opportunities, drive the green and low-carbon transition of the economy, and achieve banks' own business sustainability. In accordance with the G20 Transition Finance Framework, the Bank has introduced an innovative just transition financial instrument to support the low-carbon transition and just transition of carbon-intensive enterprises. It launched the first "carbon emission reduction facility + sustainability-linked + e-CNY loan" loan business in the country, to support enterprises' low-carbon transition with its innovation in product mix, and build new models for green financial services.

Response

Leveraging the advantage of the extensive network of nearly 40,000 outlets covering both urban and rural areas, the Bank has reformed the financial service model for the Sannong customers, urban and rural residents, and SMEs, and has become a forerunner and active practitioner in the field of inclusive finance in China. The Bank steadily promotes universal credit extension to farmers in creditworthy villages. The Bank closely works with China Post Group to integrate the flows of business, goods, funds and information, and solve the financing, sales, and logistics difficulties facing rural areas. In light of local conditions, the Bank has launched characteristic financial service models for rural areas, including the model which is led by leading businesses and capable individuals and supported with financial services, the "Party building plus finance" model, the "business flow plus logistics plus finance" model and the model featuring small credit line, wide coverage and unsecured loans, effectively removing obstacles facing rural inclusive finance.

See this report: P15-16, "Column: The Voice of the Senior Management" P35-56, "Green Investment and Financing"

See the PSBC CSR (ESG) Report 2023. P13-22, "CSR Feature: Carrying Forward the 100-Year Tradition of Inclusive Finance and Cultivating the Fertile Soil of

Inclusive

Finance'

#### Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders what issues were addressed/results achieved and how they fed into the action planning process.

In 2023, the Bank continued to communicate with stakeholders through formal and informal channels such as daily communication, collection of policy documents, working meetings and special reports. The stakeholders included governments and regulatory authorities, shareholders and investors, employees at all levels of the Bank, customers, suppliers, financial peers and industry associations, domestic and overseas sustainable development advocacy organizations and professional organizations.

See the PSBC CSR (ESG) Report 2023: P92-93, "Stakeholder Related Management" "Analysis of Substantive

lssues"

#### Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

#### Content

5.1 Governance structure for implementation of the Principles Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles.

The Board of Directors attaches great importance to the work in the field of green finance, assumes the primary responsibility of green finance, and coordinates the formulation of strategic plans for green finance and ESG. It continuously monitors and evaluates the effectiveness of the implementation of these strategies, promotes the active implementation of the national strategy for peaking carbon emissions and achieving carbon neutrality throughout the Bank, and explores the integration of ESG principles into the Bank's development strategy, governance structure, corporate culture and business processes. It works actively to build PSBC into a first-class green and inclusive bank, climate-friendly bank, and eco-friendly bank. It improves the corporate governance mechanism and the incentive and constraint mechanism, and continues to strengthen information disclosure. The Strategic Planning Committee under the Board of Directors strictly implements major plans and decisions of the CPC Central Committee and reviews the Bank's strategic development plans, including plans on green finance, ESG, and inclusive finance.

The Risk Management Committee under the Board of Directors, based on the Bank's overall strategic development plan, reviews and revises the Bank's risk management strategies, basic policies on risk management, risk appetite, comprehensive risk management framework, and important procedures and policies of risk management, and establishes the risk reporting mechanism that includes ESG risks.

The Social Responsibility and Consumer Rights Protection Committee under the Board of Directors develops strategies, policies and objectives of social responsibility and consumer rights protection in line with the Bank's development strategies and actual situation and submits them to the Board of Directors for approval before implementation.

5.2 Promoting a culture of responsible banking

better '

Office and branches

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amonast others).

#### 5.3 Policy and due diligence processes

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

To enrich the forms of training on green finance, on-site training, online training and teleconferencing training were organized on such topics as green finance policies and systems, industry-specific research on the low-carbon transition, green finance statistics, ESG and risk management, and environmental information disclosure. The PSBC Love Charity Program has been launched on an ongoing basis to raise public awareness of PSBC's charity philosophy. It raised RMB11,707.9 thousand in 2023. The Bank has also launched the "PSBC Love Seed Project" and built and promoted "PSBC Care Stations" . The Bank has incorporated ESG and climate risks into its comprehensive risk management framework, established an environmental information database, identified and assessed climate risks, carried out special investigations of ESG and climate risks and climate risk stress testing, and continuously improved the ability to manage ESG and climate risks. For example, the Bank considers ESG risks a necessary and important component in the due diligence process, reports the customer's ESG risk status and investigation opinions in a special chapter in the credit investigation report, and puts forward preliminary ESG risk classification recommendations, and necessary action plans to control risks and improve performance. At the stage of post-lending (post-investment) management, the Bank dynamically monitors the ESG risk status of credit clients or projects. For customers with potential material ESG risks, it formulates and implements targeted management

measures. The Bank takes timely actions to reduce or withdraw its lending/investment to customers with material ESG risks.

#### Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

87

### 2023 | Environmental Information Disclosure (Green Finance) Report

#### Response

The Bank integrates social responsibility into its development strategy, governance structure, corporate culture and business processes, and joins hands with relevant parties to build a first-tier large retail bank that is responsible, resilient and caring. The Bank has issued the corporate culture system, and the brand premise is "Together we make it

The Bank has incorporated green credit indicators into its strategic performance appraisal program, and the performance appraisal system of relevant departments of the Head

### Link and

See this report: P9-18, "Governance"

See the PSBC CSR (ESG) Report 2023: P89, "Governance"

See the PSBC CSR (ESG) Report 2023: P10-11, "Corporate Culture" "Concept of CSR"

See this report: P11-12, " Board of Directors" P18, "Column: Carrying out Training on Green Finance P65-66 "Environmental Activities for Public Welfare"

See this report: P29-34, "Risk Management"





Content	Response	Link and references
6.1 Assurance Please include the link or description of the assurance statement on publicly disclosed information on your PRB commitments.	The Bank engages a professional third party to provide independent assurance services on selected key indicators disclosed in the CSR (ESG) report.	See the PSBC CSR (ESG) Report 2023: P103-108, "Third-Party Assurance Report"
6.2 Reporting on other frameworks Does your bank disclose sustainability information in any of the listed below standards and frameworks: GRI, SASB, CDP, IFRS Sustainability Disclosure Standards, TCFD or others?	This report was prepared in reference to Recommendations of the Task Force on Climate-related Financial Disclosures, Principles for Responsible Banking issued by the United Nations Environment Programme, Guidelines on Environmental Information Disclosure for Financial Institutions issued by the People's Bank of China, Guidelines for Environmental Information Disclosure of Listed Companies issued by Shanghai Stock Exchange, Environmental, Social and Governance Reporting Guide issued by Hong Kong Exchanges and Clearing Limited, and GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Sustainability Standards Board, among other guidelines.	See this report: P90, "About the Report"
6.3 Outlook What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.	The year 2024 marks the 75th anniversary of the founding of the People's Republic of China and a crucial year for the implementation of the 14th Five-Year Plan. The Bank will continue to forge ahead while upholding our positioning as a large retail bank serving Sannong, urban and rural residents and small and medium-sized enterprises. We will work hard to support the "five priorities" of technology finance, green finance, inclusive finance, pension finance and digital finance, and contribute to the national drive to achieve greater strength in finance and modernization.	See the PSBC CSR (ESG) Report 2023: P6, "Message from President"

Appendix 3: Index of the Former TCFD Recommendations					
Index	Contents	Page			
Governance	a) Describe the Board of Directors' oversight of climate-related risks and opportunities.	P11-13			
Governance	b) Describe management's role in assessing and managing climate-related risks and opportunities.	P14-17			
	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	P33			
Strategy	b) Describe the impact of climate-related risks and opportunities on the organization' s businesses, strategy, and financial planning.	P33			
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a scenario with $2\rm C$ or lower scenario.	P34			
	a) Describe the organization's processes for identifying and assessing climate-related risks.	P31			
Risk management	b) Describe the organization's processes for managing climate-related risks.	P31			
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	P31			
	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	P34			
Metrics and targets	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	P59			
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	P21			

## About the Report

## Scope of the Report

Scope of this report: This report covers the Head Office of Postal Savings Bank of China Co., Ltd., branches and institutions under its administration, and majority-owned subsidiaries. "Postal Savings Bank of China", "PSBC" or "the Bank" in this report refers to "Postal Savings Bank of China Co., Ltd.". Reporting period: January 1, 2023 to December 31, 2023. Some contents may exceed this scope.

## References for Preparing the Report

This report was prepared in reference to Recommendations of the Task Force on Climate-related Financial Disclosures, Principles for Responsible Banking issued by the United Nations Environment Programme, Guidelines on Environmental Information Disclosure for Financial Institutions issued by the People's Bank of China, Guidelines for Environmental Information Disclosure of Listed Companies issued by Shanghai Stock Exchange, Environmental, Social and Governance Reporting Guide issued by Hong Kong Exchanges and Clearing Limited, and GRI Sustainability Reporting Standards (GRI Standards) issued by the Global Sustainability Standards Board, among other guidelines.

### Data Sources

The data in this report are primarily of the year 2023, with some beyond the above timeframe. The data are mainly from the Bank's internal documents and relevant statistics.

## Publication Format

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