

# HUA XIA BANK CO., Limited

## 2023 Reporting and Self-Assessment of Principles for Responsible Banking

Hua Xia Bank Co., Limited (hereinafter referred to as the “Bank”) became a Principles for Responsible Banking (PRB) signatory in September 2019. With a global horizon, the Bank aims to further align its development strategies with the *Paris Agreement* and the Sustainable Development Goals (SDGs). In China, the Bank has actively responded to the national strategies to support the high-quality development of the financial sector.

This Report is prepared based on the *Reporting and Self-Assessment Template - Principles for Responsible Banking*. Ernst & Young Hua Ming LLP provided limited assurance on sections in this Report including “2.1 Impact Analysis”, “2.2 Target Setting”, “2.3 Target Implementation and Monitoring”, and “5.1 Governance Structure for Implementation of the Principles”. For further information on the Bank’s sustainable development practice, please refer to the *2023 Annual Report of Hua Xia Bank Co., Limited* (hereinafter referred to as “2023 Annual Report”), the *2023 Social Responsibility Report of Hua Xia Bank Co., Limited* (hereinafter referred to as “2023 Social Responsibility Report”), and the *2023 Environmental Information Disclosure Report of Hua Xia Bank Co., Limited* (hereinafter referred to as “2023 Environmental Information Disclosure Report”).

### Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

#### Business model

Describe (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank’s portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

## Response

The Bank was founded in Beijing in October 1992. In April 1996, it was reorganized into a joint-stock limited company. In September 2003, the Bank launched its IPO and went public as China's fifth listed company. As at 31<sup>st</sup> December 2023, the Bank had set up 44 tier one branches, 78 tier two branches and 982 outlets with 40,293 employees in 120 Chinese cities at prefecture level and above, forming a nationwide service network based on presence in economically central cities. Acting on its five-pronged development philosophy, namely "Innovative, Coordinated, Green, Open and Shared", the Bank has defined its ultimate goal as serving the real economy and creating value for clients and shareholders. The Bank provides corporate and institutional clients with professional, distinctive and comprehensive financial services, including deposits, loans, investment banking, trade finance, green finance, internet finance and cash management. The Bank provides retail customers with diverse financial products and services, including deposits, consumer finance, debit card, credit card, wealth management, private banking, electronic banking and pension finance to meet individuals' demand for comprehensive financial services. Aiming at operational compliance and innovative development, the Bank has continuously pursued coordinated, stable development of financial market, asset management and asset custody, and improved the ability to serve the real economy and customers. In 2023, the Bank was identified as a domestic systemically important bank (D-SIB) in China for the third consecutive year, and ranked among the world's top 50 banks for two years in a row. Among the Top 1000 World Banks 2022 published by *The Banker* (UK) in July 2023, the Bank ranked 46th by tier-1 capital and 60th by total assets.

As at 31<sup>st</sup> December 2023, the Bank's total assets amounted to RMB4,254.766 billion and the total profit for the year stood at RMB35.439 billion.

The Bank has continued to implement China's major regional development strategy of "Three Regions, Two Lines and Multiple Points". Led by "Three Regions" and supported by "Two Lines and Multiple Points", the Bank identified priorities of regional development in line with regional reality and industrial characteristics, and optimized asset allocation to achieve high-quality development. At the end of 2023, the Bank's loan balance amounted to RMB2,309.583 billion. For the distribution of loans by geographical area as at 31<sup>st</sup> December 2023, the proportion of Yangtze River Delta, the Beijing-Tianjin-Hebei Region, Central and Eastern China, Western China, Guangdong-Hong Kong-Macao Greater Bay Area, Northeastern China, and Subsidiaries was 29.91%, 24.28%, 15.36%, 12.32%, 10.95%, 2.19%, and 4.99% respectively.

<b>Geographical area</b>	<b>Loan Balance as at 31<sup>st</sup> December 2023 (RMB 1 million)</b>	<b>Percentage as at 31<sup>st</sup> December 2023</b>
Yangtze River Delta	690,854	29.91%
Beijing-Tianjin-Hebei Region	560,832	24.28%
Central and Eastern China	354,765	15.36%
Western China	284,608	12.32%
Guangdong-Hong Kong-Macao Greater Bay Area	252,791	10.95%

For further information, please refer to:

- *Message From Chairman, 2023 Annual Report, Page 1*

- *3.1 Business Overview Of The Company, 2023 Annual Report, Page 10*

- *3.3.2 Overview of the Bank's operating results, 2023 Annual Report, Page 13*

- *3.8.4 Distribution of loans and NPLs by geographical area, 2023 Annual Report, Pages 27-28*

- *3.8.3 Distribution of loans and NPLs by industry, 2023 Annual Report, Pages 26-27*

- *Supporting the Real Economy, 2023 Social Responsibility Report, Pages 24 - 27*

Northeastern China	50,421	2.19%
Subsidiaries	115,312	4.99%
Total	2,309,583	100%

The Bank has actively implemented national economic development policies and regulatory requirements, and vigorously supported the real economy by improving the financial services for private businesses and micro and small enterprises (MSEs) and stepping up credit support for areas such as manufacturing transformation and upgrading, and emerging industries of strategic importance. A view of loan distribution by industry and proportion as at 31<sup>st</sup> December 2023 shows that leasing and commercial services (19.56%) took the largest share, followed in a descending order by manufacturing (10.14%), water conservancy, environment and public facilities management (6.21%), wholesale and retail (5.89%), construction industry (4.58%) and real estate (4.19%).

Industry	Loan Balance as at 31 <sup>st</sup> December 2023 (RMB 1 million)	Percentage as at 31 <sup>st</sup> December 2023
Leasing and commercial services	451,697	19.56%
Manufacturing	234,265	10.14%
Water conservancy, environment and public facilities management	143,314	6.21%
Wholesale and retail	136,057	5.89%
Construction industry	105,762	4.58%
Real estate	96,736	4.19%
Electric power, heat, gas and water production and supply industry	68,781	2.98%
Transportation, warehousing and post industry	65,982	2.86%
Financial services	55,164	2.39%
Mining industry	32,390	1.40%
Others	919,435	39.80%
Total	2,309,583	100%

## Strategy alignment

**Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?**

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

**Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?**

- UN Guiding Principles on Business and Human Rights
- International Labour Organization fundamental conventions
- UN Global Compact
- UN Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: Green Finance Guidelines for Banking and Insurance Sectors issued by the former China Banking and Insurance Regulatory Commission (CBIRC), Guidelines for Financial Institutions Environmental Information Disclosure issued by the People’s Bank of China (PBOC), and Recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD)
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----
- None of the above

**Response**

Focusing on the vision of building a colossal, competitive, outstanding modern financial group with stable operations , the Bank has aligned its practices with SDGs, and identified 9 core goals and 8 related goals upon evaluation from two dimensions of materiality and importance. It has devoted resources and applied advantages to the core targets to achieve UN SDGs. The Bank’s core goals include No Poverty (SDG1), Good Health and Well-being (SDG3), Affordable and Clean Energy (SDG7), Decent Work and Economic Growth (SDG8), Industry, Innovation and Infrastructure (SDG9), Sustainable Cities and Communities (SDG11), Responsible Consumption and Production (SGD12), Climate Action (SGD13), and Partnerships for the Goals (SGD17). The Bank’s related goals include Zero Hunger (SGD2), Quality Education (SGD4), Gender Equality (SGD5), Clean Water and Sanitation (SGD6), Reduced Inequalities (SGD10), Life below Water (SGD14), Life on Land (SGD15), and Peace, Justice and Strong Institutions (SGD16).

The Bank has moved actively to respond to climate change by aligning its strategies with the *Paris Agreement* and China’s carbon peak and carbon neutrality goals. The Bank is making efforts in building itself into a Climate-Friendly Bank of China. In the *Outline of Hua Xia Bank Development Plan 2017-2020*, the Bank highlighted “promoting the green finance-related specialty business” for the first time as one of its six strategic priorities. In the *Outline of Hua Xia Bank Development Plan 2021-2025*, the Bank positioned green finance as one of its two featured brands. The Bank also developed the green finance framework *Hua Xia Bank Administrative Measures for Green Finance*, to guide and drive transformation of business models and operation management; and the *Hua Xia Bank Carbon Peaking Action Plan*, to integrate carbon peak and carbon neutrality goals in the Bank’s overall development plan, and provide a road map for achieving the goals.

*For further information, please refer to:*

- *UN SDGs, 2023 Social Responsibility Report, Page 20*
- *Serving MSEs, 2023 Social Responsibility Report, Pages 32-34*
- *Contributing to rural vitalization, 2023 Social Responsibility Report, Pages 34-36*
- *Risks associated with climate ambitions, 2023 Environmental Information Disclosure*

<b>Regulatory documents having significant implications for the Bank</b>		<b>Issuing authority</b>
<i>Guiding Opinions on Promoting Investment and Financing for Responding to Climate Change</i>		Ministry of Ecology and Environment and other four authorities
<i>National Climate Change Adaptation Strategy 2035</i>		Ministry of Ecology and Environment and other sixteen authorities
<i>Working Guidance For Carbon Dioxide Peaking And Carbon Neutrality In Full And Faithful Implementation Of The New Development Philosophy</i>		The Communist Party of China (CPC) Central Committee and the State Council
<i>Guiding Opinions on Building a Green Financial System</i>		The People's Bank of China (PBOC) and other six authorities
<i>Green Finance Evaluation Plan for Banking Financial Institutions</i>		PBOC
<i>Green Finance Guidelines for Banking and Insurance Sectors</i>		China Banking and Insurance Regulatory Commission (CBIRC, restructured as National Financial Regulatory Administration (NFRA))
<b>Climate change-related action highlights in <i>Hua Xia Bank Development Plan 2021-2025</i></b>		
Action 1	Deepen green finance strategy to follow the green and low-carbon development trend under carbon peak and carbon neutrality goals, improve the Bank's top-level design of green finance and develop a special action plan for green and low-carbon development of the Bank.	
Action 2	Promote business in clean energy sector by continuously improving capabilities and expertise in areas such as energy conservation and environmental protection, clean production, ecology and environment, green upgrading of infrastructure, and creating industrial solutions for key areas.	
Action 3	Develop a sound mechanism for product innovation in green finance to facilitate low-carbon product innovation and expedite the construction of green financial system consisting of green credit, green fund, green bond, green lease, green wealth management, carbon finance and other financial services.	
Action 4	Optimize business models and innovate supporting services for green projects, such as coordination of investment and lending and combination of equity financing and debt financing.	
Action 5	Explore ways to cooperate with insurers, green investment funds and professional institutions in the industry, to establish a special green risk sharing mechanism.	
Action 6	Strengthen cooperation with international financial organizations and try to build a Climate-Friendly Bank of China.	
Action 7	Deepen the implementation of ESG investment and financing strategies, pay close attention to the impact of rapid low-carbon transformation, and strengthen climate risk management.	
Action 8	Accelerate the construction of green financial information system, to improve the quality of basic data such as climate investment and financing, and facilitate information disclosure.	

*Report,  
Pages 29-36*

*- Policy System:  
internal Management Standards, 2023  
Environmental Information Disclosure Report,  
Pages 15-18*

*- External partnership, 2023  
Environmental Information Disclosure Report,  
Page 19*

*- Special Feature:  
International Exchange and Cooperation, 2023  
Environmental Information Disclosure Report,  
Pages 20-22*

The Bank has actively implemented the *Implementation Opinions of the State Council on Promoting the High-Quality Development of Inclusive Finance* and the *Notice of the General Office of the China Banking and Insurance Regulatory Commission on Enhancing the Quality of Financial Services for Micro and Small Enterprises in 2023*, as well as the requirements to develop inclusive finance as a key area in financial sector outlined on the Central Financial Work Conference. It has continued the effort in building the brand image as a “financial service provider for small and medium-sized enterprises (SMEs)” in inclusive finance, explore digital inclusive finance, strengthen product innovation, and improve service quality, to help ease the difficulties of businesses and support the growth of MSEs, thus contributing to the stable operation of the market and market players. The Bank has earnestly acted on the *Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting the Key Work of Rural Revitalization in 2023*. It has channelled more resources to support rural revitalization, strengthened the coordination of agriculture-related loans, continued with Beijing’s pairing assistance work and aids to villages with weaker collective economy and advanced rural revitalization across the board.

**Inclusive finance-related action highlights in *Hua Xia Bank Development Plan 2021-2025***

Action 1	Maintain strategic consistency, continue to build the brand image as a “financial service provider for SMEs”, implement the policy requirements for serving MSEs, fulfill the social responsibilities as a state-owned financial institution, and strive to be the best partner of SMEs and grow with them.
Action 2	Support the implementation of rural revitalization strategy, enhance the financial supports for agriculture, rural areas and farmers (“San Nong”), and actively serve “San Nong” reform and development.

## Principle 2: Impact and 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 (Key Step 1)

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. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

**a) Scope:** What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

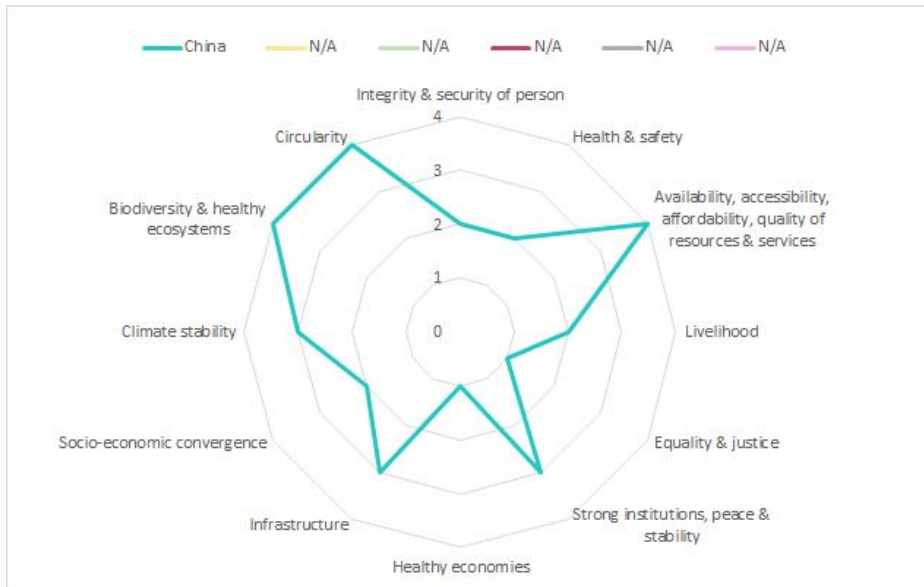
<p><b>Response</b></p> <p>Leveraging on the Portfolio Impact Analysis Tool for Banks launched by the United Nations Environment Programme Finance Initiative (UNEP FI), the Bank conducted a detailed and systematic impact analysis of on-balance sheet loans of corporate banking. The tool enables identification of both positive and negative impacts of our portfolios on environment, society and economy, and we took into account these impacts in light of international and domestic priorities and key policies, so as identify the areas having most significant impacts, and lay out targets and action plans accordingly.</p> <p>In 2023, the Bank recorded RMB93.207 billion in operating revenue, of which net interest income accounted for 75.58%. In terms of interest income, interest income from loans and advances to clients accounted for 69.18%, of which the interest income from corporate loans accounted for 61.02%. Impact analysis of corporate banking is conducive to identifying and considering the most significant impacts from our portfolios, based on which the Bank can set sustainability-related goals.</p>	<p><i>For further information, please refer to:</i></p> <p>-3.4.1 Operating income, 2023 Annual Report, Pages 14-15</p> <p>- 3.4.2 Net non-interest income, 2023 Annual Report, Pages 15-18</p>
<p><b>b) Portfolio composition:</b> Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <p>i) by sectors &amp; industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</p> <p>ii) by products &amp; services and by types of customers for consumer and retail banking portfolios.</p> <p>If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.</p>	
<p><b>Response</b></p> <p>Keeping risks controllable, the Bank continued to adjust and improve its asset structure to better serve the real economy. The Bank conducted an industry analysis and selected the top 10 industries each seeing a higher proportion of loan balance in corporate banking, and analyzed positive and negative impacts of exposures from the perspective of sustainable development. As at the end of 2023, loans to key industries subject to the above-mentioned industry analysis stood at RMB1,390.148 billion, accounting for 60.20% of total loans of the Bank.</p>	<p><i>For further information, please refer to:</i></p> <p>- 3.8.3 Distribution of loans and NPLs by industry, 2023 Annual Report, Pages 26-27</p>
<p><b>c) Context:</b> What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.</p> <p><i>This step aims to put your bank’s portfolio impacts into the context of society’s needs.</i></p>	
<p><b>Response</b></p> <p>Leveraging on the Context Module in the Portfolio Impact Analysis Tool for Banks launched by UNEP FI, the Bank conducted a comprehensive background analysis of the countries/regions in which it operates in light of <i>the Outline of the 14<sup>th</sup> Five-Year Plan (2021-2025) for National Economic and Social Development</i></p>	<p><i>For further information, please refer to:</i></p> <p>- Stakeholder communication,</p>

and Vision 2035 of China and the Report on the Work of the Government 2023, and identified the major challenges and key policy guidance related to sustainable development in each region, including:

- Climate stability, biodiversity & healthy ecosystems, circularity
- Availability, accessibility, affordability, quality of resources & services
- Financial inclusion

2023 Social Responsibility Report, Page 21

- Analysis of substantial issues, 2023 Social Responsibility Report, Page 19



Impact Areas	Climate stability, biodiversity & healthy ecosystems, circularity					
Impact Topics	Climate stability	Air	Soil	Species	Resource intensity	Waste
Corresponding SDGs	SDG 13	SDGs 11, 12	SDGs 15, 12	SDGs 14, 15	SDG 12	SDGs 11, 12
Level of need for resolution*	3	4	4	4	4	3

Impact Areas	Availability, accessibility, affordability, quality of resources & services				
Impact Topics	Water	Housing	Health care & sanitation	Education	Information
Corresponding SDGs	SDG 6	SDG 11	SDGs 3,6	SDG 4	SDG 16
Level of need for resolution*	3	3	3	3	4

\*: Values range from 1 to 4, representing levels of need from low to high.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.



<p><i>Response</i></p> <p>The Bank identified “climate change mitigation” and “ financial inclusion” as the two areas of most significant impact by factoring in China’s environmental, societal and economic agenda requiring resolutions, key policy guidance, proportion of bank assets involved in the impact areas, and awareness of stakeholders, and prioritized the two areas in its goal-setting process.</p>	<p><i>For further information, please refer to:</i></p> <ul style="list-style-type: none"> <li>- <i>Serving MSEs, 2023 Social Responsibility Report, Pages 32-34</i></li> <li>- <i>Contributing to rural vitalization, 2023 Social Responsibility Report, Pages 34-36</i></li> <li>- <i>Navigating climate change, 2023 Social Responsibility Report, Pages 86-91</i></li> <li>- <i>Environmental Risk Management, 2023 Environmental Information Disclosure Report, Pages 25-28</i></li> </ul>
<p><b>d) For these (min. two prioritized impact areas): <u>Performance measurement:</u></b> Has your bank identified which sectors &amp; industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.</p> <p>In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health&amp;inclusion as your most significant impact areas, please also refer to the applicable indicators in the <a href="#">Annex</a>.</p> <p>If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this.</p> <p><i>The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.</i></p>	

<p><i>Response</i></p> <p>The Bank assessed the performance of industries positively or negatively impacting climate stability and financial inclusion, and identified those having significant impacts on climate change mitigation and financial inclusion.</p> <p><b>Climate change mitigation</b></p> <p>-Impacted industries</p> <p>By analyzing China’s emission control policies for carbon-intensive industries and Guidelines on Green Finance for the Banking and Insurance Industries with consideration of credit business profile, the Bank concluded that the industries covered in the portfolios that have significant impacts on climate change mitigation include: (1) manufacturing, (2) water conservancy, environment and public facilities management, (3) construction industry, (4) real estate, (5) electric power, heat, gas and water production and supply industry, (6) transportation, warehousing and post industry, and (7) mining industry.</p> <p>-Client type</p> <p>The Bank actively adapted to climate changes, resolutely implemented national industrial and environmental protection policies and financial regulatory policies, increased its support for green and low-carbon industries, stepped up its efforts in the field of clean energy, continuously beefed up professional support in areas such as energy conservation and environmental protection, clean production, ecology and environment, and green upgrading of infrastructure, and explored industry solutions in key areas.</p> <p>-Performance measurement indicator</p> <p>The Bank identified the balance of green loans as a main performance measurement indicator for climate change mitigation.</p> <p><b>Financial inclusion</b></p> <p>-Impacted industries</p> <p>In the Bank’s asset portfolio, the two major industries with significant impacts on inclusive finance are wholesale and retail, and manufacturing.</p> <p>-Client type</p> <p>The Bank clarified the key tasks of inclusive finance, focused on high-quality micro and small businesses in new ecological scenarios supported by national strategies, such as specialized and sophisticated producers of new and unique products, refinement, core enterprises, and supply chains, and built a new pattern of coordinated regional development led by “Three Regions” and supported by “Two Lines”, especially in key regions with a host of MSEs such as the Yangtze River Delta, the Greater Bay Area, Jiangsu, Zhejiang and Shanghai. It formulated</p>	<p><i>For further information, please refer to:</i></p> <p>- 3.8.3 <i>Distribution of loans and NPLs by industry, 2023 Annual Report, Pages 26-27</i></p> <p>- <i>Navigating climate change, 2023 Social Responsibility Report, Pages 86-91</i></p> <p>- <i>Environmental Risk Management, 2023 Environmental Information Disclosure Report, Pages 25-28</i></p> <p>- <i>Contributing to Regional Development, 2023 Social Responsibility Report, Pages 28-31</i></p> <p>- <i>Serving MSEs, 2023 Social Responsibility Report, Pages 32-34</i></p> <p>- <i>Contributing to rural vitalization, 2023 Social Responsibility Report, Pages 34-36</i></p> <p>- <i>Spotlight Developing Green Finance, 2023 Social Responsibility</i></p>
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<p>an action plan for rural vitalization, focusing on key groups designated for assistance such as inclusive agriculture-related MSEs and rural households, and comprehensively pressing ahead with rural revitalization.</p> <p>-Performance measurement indicator</p> <p>The Bank identified the balance of inclusive loans to MSEs as a main performance measurement indicator for financial inclusion.</p>	<p><i>Report, Pages 98-103</i></p> <p><i>- Appendix: CSR Performance, 2023 Social Responsibility Report, Pages 120-121</i></p>
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**Self-assessment summary:**

**Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?**

Scope:  Yes  In progress  No

Portfolio composition:  Yes  In progress  No

Context:  Yes  In progress  No

Performance measurement:  Yes  In progress  No

**Which most significant impact areas have you identified for your bank, as a result of the impact analysis?**

*Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify*

**How recent is the data used for and disclosed in the impact analysis?**

Up to 6 months prior to publication

Up to 12 months prior to publication

Up to 18 months prior to publication

Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

## 2.2 Target Setting (Key Step 2)

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:** which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? 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.

*You can build upon the context items under 2.1.*

### Response

#### **Climate change mitigation**

The Bank sets its indicators and goals in climate change mitigation in alignment with SDGs, the *Paris Agreement*, the *Outline of the 14<sup>th</sup> Five-Year Plan (2021-2025) for National Economic and Social Development and Vision 2035 of China*, and China's green finance development framework. On the implementation front, the Bank moves to drive the green and low-carbon development by establishing systems, promoting business, setting standards, and conducting theoretical research in line with the requirements set forth in *Guiding Opinions on Building a Green Financial System*, the *Guiding Opinions on Promoting Investment and Financing for Responding to Climate Change*, and the *Green Finance Guidelines for Banking and Insurance Sectors*.

#### **Financial inclusion**

The Bank sets the indicators and goals in inclusive finance in alignment with the *Notice of the General Office of the China Banking and Insurance Regulatory Commission on Stepping up Efforts in Improving the Quality of Financial Services for Micro and Small Enterprises in 2023*, focusing on the development of new digital inclusive finance models, innovation of featured financial products for MSEs, and implementation of measures to ease enterprises' difficulties. To advance rural revitalization across the board, the Bank has implemented the policy requirements on rural revitalization, better coordinating the supply of agriculture-related loans, and continuing financial support in response to Beijing's task of providing paired assistance and aids to villages with weaker collective economy.

*For further information, please refer to:*

*- Navigating climate change, 2023 Social Responsibility Report, Pages 86-91*

*- 5.2.2 Efforts on poverty alleviation and rural vitalization, 2023 Annual Report, Page 88*

*- Serving MSEs, 2023 Social Responsibility Report, Pages 32-34*

*- Contributing to rural vitalization, 2023 Social Responsibility Report, Pages 34-36*

*- Policy System, 2023 Environmental Information Disclosure Report, Pages 15-16*

**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.

*You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.*

*A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.*

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

**Response**

The Bank, with reference to UNEP FI's Theory of Change for Climate Mitigation and Theory of Change for Financial Health & Inclusion, applies the Pathway to Impact Module in the Portfolio Impact Analysis Tool for Banks launched by UNEP FI. In line with the Bank's development planning cycle and China's regulatory adjustments, the balance of green loans and the balance of inclusive loans to MSEs at the end of 2021 were selected as the baseline.

*For further information, please refer to:*

*-3.14.3 Inclusive finance, 2023 Annual Report, Pages 55-56*

Impact area	Indicator code	Response
Climate change mitigation	Action indicator A.1.1 <b>Climate strategy:</b> Does your bank have a climate strategy in place?	The Bank has included climate risk management in its strategic green finance plan, with an aim to strengthen communication with clients, shareholders, employees and other stakeholders, and promote the sustainable development of enterprises, society and environment, maintaining the Bank's social image as a responsible and caring state-owned financial institution and developing into a Climate-Friendly Bank of China.

*- Navigating climate change, 2023 Social Responsibility Report, Pages 86-91*

*- Serving MSEs, 2023 Social Responsibility Report, Pages 32-34*

*- Contributing to rural vitalization,*

	<p>Output indicator A.2.1 <b>Client engagement process:</b> Is your bank in an engagement process with clients regarding their strategy towards a low(er)-carbon business model (for business clients), or towards low(er)-carbon practices (for retail clients)?</p>	<p>The Bank has formulated the <i>Guiding Opinions on Environmental, Social and Governance Risk Management of Corporate Credit Business of Hua Xia Bank</i>, which is designed to assess the sustainability of corporate borrowers' operations and impacts on social values, and analyze their non-financial information on environmental protection, social responsibility and corporate governance, to effectively identify, monitor and manage ESG risks in banking exposures. Taking into account risk and return, policy guidance and strategic objectives, the Bank has established internal pricing strategies and policies for diverse green loans to promote the growth of green business by applying favorable transfer pricing to eligible green businesses and lowering cost of funding for green businesses.</p>	<p>2023 Social Responsibility Report, Pages 34-36</p> <p>- <i>Innovate inclusive financial products, 2023 Social Responsibility Report, Page 37</i></p> <p>- <i>Environmental Risk Management, 2023 Environmental Information Disclosure Report, Pages 25-28</i></p> <p>- <i>Environmental impact of investment and financing activities: an overall overview, 2023 Environmental Information Disclosure Report, Pages 39-49</i></p>
	<p>Outcome indicator A.3.1 <b>Financial volume of green assets/low-carbon technologies:</b> How much does your bank lend to/invest in green assets / loans and low-carbon activities and technologies?</p>	<p>As at 31<sup>st</sup> December 2023, the Bank's balance of green loans reached RMB269.273 billion. The Bank's green credit helped reduce emissions by 2,608,400 tons of carbon dioxide equivalent.</p>	
	<p>Action indicator A.1.3 <b>Policy and process for client relationships:</b> has your bank put in place rules and processes for client relationships (both new clients and existing clients), to work together towards the goal of transitioning the clients' activities and business model?</p>	<p>To serve various economic activities generating both environmental and social benefits in response to national policies for green industries, the Bank followed the <i>Green Finance Guidelines for Banking and Insurance Sectors</i> issued by CBIRC (restructured as NFRA) and developed the <i>Hua Xia Bank Administrative Measures for Green Finance</i>, which defines the scope of green finance as financial services provided for investment and financing, operation and risk management around projects in environmental protection, resource conservation, clean energy, green transportation and green building that aim to support economic activities for environment improvement, climate change mitigation, and conservation and efficient use of resources.</p>	

		Upon more integrated and targeted implementation of new development philosophy, the Bank has stepped up support for green, low-carbon and circular economy.
	<p>Action indicator A.1.5 <b>Business opportunities and financial products:</b> Has your bank developed financial products tailored to support clients' and customers' reduction in GHG emissions (such as energy efficient mortgages, green loans, green bonds, green securitisations etc.)?</p>	<p>The Bank has improved its green financial service capabilities in terms of specialization and efficiency. It continues to upgrade its green financial product system, which has evolved into a group-level comprehensive green finance system covering green loans, green bills, green investment, green leasing, green debt financing instrument underwriting, ESG wealth management, carbon finance and other businesses. The Bank is among the first settlement banks for trading in the national carbon market, and has launched specialized products such as energy contract management financing, residential photovoltaic leasing, collective financing for green projects, carbon credits-backed financing, and letters of guarantee on carbon credit futures.</p>
<b>Impact area</b>	<b>Indicator code</b>	<b>Response</b>
Financial inclusion	<p>Action indicator C.1.1 # of products and services in the portfolio with a focus on financial inclusion</p>	<p>The Bank has launched four spectrums of inclusive finance offerings, including digital inclusive finance products that enable clients to access unsecured credit loans of small amounts through online platform from anywhere; products focused on key fields supported by national policies; ecosphere and chain products that apply to business ecosystem scenarios; and tailored products based on regional characteristics of industries that meet clients' special needs. The Bank is committed to building a product system that provides both standard and featured products. As at 31<sup>st</sup> December 2023, the Bank had 21 offerings in its inclusive finance portfolio.</p>
	<p>Action indicator C.1.2 # of products and services in the portfolio with a focus on financial inclusion</p>	<p>The Bank's inclusive finance personnel are all equipped with qualifications gained through training. As at 31<sup>st</sup> December 2023, 100% employees engaged in inclusive finance were effectively trained.</p>

<p><b>c) SMART targets</b> (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.</p>	
<p><i>Response</i></p> <p><b>Climate change mitigation</b> The Bank sets the growth of green loan balance as the target in climate change mitigation. The Bank sets an annual green loan growth target every year and regularly monitors the progress on a regular basis.</p> <p><b>Financial inclusion</b> The Bank sets the growth of inclusive finance loan as the target in inclusive finance. The Bank develops a plan of inclusive loan issuance to MSEs every year and monitors the progress according to loans granted.</p>	<p><i>For further information, please refer to:</i></p> <p>- Navigating climate change, 2023 Social Responsibility Report, Pages 86-91</p> <p>- Serving MSEs, 2023 Social Responsibility Report, Pages 32-34</p> <p>- Contributing to rural vitalization, 2023 Social Responsibility Report, Pages 34-36</p> <p>- Environmental Risk Management, 2023 Environmental Information Disclosure Report, Pages 25-28</p>
<p><b>d) Action plan:</b> which actions including milestones have you defined to meet the set targets? Please describe.</p> <p>Please also show that your bank has analysed 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.</p>	
<p><i>Response</i></p> <p><b>Climate change mitigation</b></p> <ul style="list-style-type: none"> <li>● Increase support for green and low-carbon industries, step up efforts in the field of clean energy, promote business in clean energy sector by continuously improving capabilities and expertise in areas such as energy conservation and environmental protection, clean production, ecology and environment, green upgrading of infrastructure, and creating industrial solutions for key areas.</li> </ul>	<p><i>For further information, please refer to:</i></p> <p>- Navigating climate change, 2023 Social Responsibility Report, Pages 86-91</p>



<ul style="list-style-type: none"> <li>● Develop a sound mechanism for product innovation in green finance to facilitate low-carbon product innovation.</li> <li>● Optimize business models and innovate supporting services for green projects, such as combination of investment and lending and combination of equity financing and debt financing.</li> <li>● Improve the risk management system, set ESG risks as a standalone risk in the Bank’s risk appetite management system, and strengthen risk management of credit to industries with high energy consumption and high emissions.</li> <li>● Accelerate the construction of green financial informatization system.</li> <li>● Strengthen cooperation with international financial organizations and draw on leading practices.</li> </ul> <p><b>Financial inclusion</b></p> <ul style="list-style-type: none"> <li>● Continue to improve the inclusive financial service system for MSEs and build a sustainable development model.</li> <li>● Target key sectors such as manufacturing enterprises and enterprises that use special and sophisticated technologies to produce novel and unique products to acquire more high-quality MSEs.</li> <li>● Build business scenarios with the Bank’s own data and customer profiles under independent risk control, accelerate credit factory model, and establish a digital business ecosystem.</li> <li>● Advance digitalization of operations and build a sound intelligent risk control system adapted to the business characteristics of MSEs.</li> </ul>	<p>- <i>Serving MSEs, 2023 Social Responsibility Report, Pages 32-34</i></p> <p>- <i>Contributing to rural vitalization, 2023 Social Responsibility Report, Pages 34-36</i></p> <p>- <i>Environmental Risk Management, 2023 Environmental Information Disclosure Report, Pages 25-28</i></p>
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### Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it)	... second area of most significant impact: ... (please name it)	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress	<input type="checkbox"/> Yes <input type="checkbox"/> In progress

	<input type="checkbox"/> No	<input type="checkbox"/> No	<input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> Yes
	<input type="checkbox"/> In progress	<input type="checkbox"/> In progress	<input type="checkbox"/> In progress
	<input type="checkbox"/> No	<input type="checkbox"/> No	<input type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

### For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

**Or, in case of changes to implementation plans (relevant for 2<sup>nd</sup> and subsequent reports only):** describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

### Response

#### Climate change mitigation

The Bank has actively implemented the requirements in national strategies on carbon peak and carbon neutrality, deepened the development of green finance with new features, and provided financial support for the high-quality economic and social development of the country.

- Conducted in-depth research on key green industries, and carried out ecosystem-based marketing with in-house ecosystem maps and marketing platforms, to acquire more green clients and improve the coverage of whitelist clients and the cooperation with them.
- Built a group-level comprehensive green financial product and service system covering green loans, green bills, green investment, green leasing, green debt financing instrument underwriting, green wealth management, green funds, carbon finance and other businesses; developed a specialized product for carbon credits-backed financing, and piloted the product at 15 branches that have set up green finance departments.
- Explored ways to cooperate with insurers, green investment funds and professional institutions in the industry, to establish a specialized responsibility sharing mechanism for green risks; innovated business models through ongoing trials and pilots in a bid to create feature highlights in green finance, and successfully issued China's first photovoltaic public REITs, namely, China Aviation Jingneng Photovoltaic Closed-end Infrastructure Securities Investment Fund.
- Developed the *Guiding Opinions of Hua Xia Bank on Environmental, Social and Governance Risk Management of Credit Business for Corporate Clients*, and revised the *Hua Xia Bank Administrative Measures for Green Finance*, to step up support for green, low-carbon and circular economy, strengthen ESG risk management throughout the credit business process to prevent related risks.

*For further information, please refer to:*

- 5.1.2 Green finance, 2023 Annual Report, Pages 85-86

-3.14.3 Inclusive finance, 2023 Annual Report, Pages 55-56

- Navigating climate change, 2023 Social Responsibility Report, Pages 86-91

- Serving MSEs, 2023 Social Responsibility Report, Pages 32-34

- Contributing to rural vitalization, 2023 Social Responsibility Report, Pages 34-36

- Established a green financial information system.
- Enhanced professional service capabilities and conducted special research in energy storage, hydrogen energy, comprehensive energy services, biodiversity, ESG risk rating, climate transition risks, carbon tariffs and other fields.
- Communicated with the World Bank regarding the development of green finance and the "China Renewable Energy and Battery Energy Storage Promotion Project." Through international cooperation with institutions such as the World Bank, the French Development Agency, and the Asian Development Bank, a total of USD 1 billion in foreign investment has been introduced through loan transfer projects.

- *Environmental Risk Management, 2023*  
*Environmental Information Disclosure Report, Pages 25-28*

As at 31<sup>st</sup> December 2023, the Bank's balance of green loans was RMB269.273 billion, increasing by 9.00% from the end of 2022.

<b>Performance measurement indicator</b>	<b>End of 2021</b>	<b>End of 2022</b>	<b>End of 2023</b>
Green loan balance (RMB 1 Billion)	208.477	247.035	269.273

#### **Financial inclusion**

2023 was a major milestone for the national strategy of inclusive finance launched ten years ago. The Bank followed the policy guidance from the CPC Central Committee and regulators, maintained strategic consistency and kept improving its ability to serve the real economy. The Bank was committed to becoming the best partner of MSEs in their course of growth, adding luster to the brand of "financial service provider for SMEs".

- Strengthened the allocation of resources to continuously improve the "Head Office – branches – sub-branches" service system for MSEs.
- Launched the "Thousand, Hundred, Ten" program for enterprises that use special and sophisticated technologies to produce novel and unique products, and tailored differential approval and green channel for them, applying case-by-case policy, real-time review, prioritized credit committee review, and quick approval.
- Strengthened the enablement of ecosystem scenarios, and launched four series of products focused on digital inclusive finance, key fields, ecosphere and chain scenarios and regional characteristics.
- Accelerated process reengineering in the push for digital inclusive finance, created a credit approval decision matrix and launched the online post-lending automation system to enhance smart risk control.

As at 31<sup>st</sup> December 2023, the Bank's balance of inclusive loans to MSEs was RMB175.011 billion, increasing by 8.77 % from the end of 2022.

<b>Performance measurement indicator</b>	<b>End of 2021</b>	<b>End of 2022</b>	<b>End of 2023</b>
Balance of inclusive loans to MSEs (RMB 1 Billion)	138.039	160.904	175.011

## Principle 3: Clients and 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

*Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?*

Yes       In progress       No

*Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?*

Yes       In progress       No

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.

*This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).*

#### **Response**

##### **Climate change mitigation**

-Policy development

Policies and rules related to climate change mitigation formulated by the Bank include the *Hua Xia Bank Development Plan 2021-2025*, the *Hua Xia Bank Carbon Peaking Action Plan*, the *Hua Xia Bank Administrative Measures for Green Finance*, the *Hua Xia Bank Administrative Measures for Carbon Credits-backed Financing Business (Provisional)*, the *Guiding Opinions on Environmental, Social and Governance Risk Management of Corporate Credit Business of Hua Xia Bank*, and the *Hua Xia Bank Credit, Investment and Financing Policy for 2023*.

Pursuant to the *Hua Xia Bank Administrative Measures for Green Finance*, the Bank clarified the responsibilities of green finance organizations, relevant definitions and standards, and put forward requirements regarding green finance policies, ESG risk management, internal control management, brand management, capacity building and information disclosure. In the *Guidelines for Environmental and Social Risk Assessment of Key Industries*, the Bank selected 10 key industries, covering mining, smelting, thermal power, cement, printing and dyeing, and biomass utilization in light of the characteristics of industry distribution of investment and financing businesses. Aiming at different susceptibility to climate changes of industries, and prepared a list of

*For further information, please refer to:*

- *5.1.2 Green finance, 2023 Annual Report, Pages 85-86*

- *3.14.3 Inclusive finance, 2023 Annual Report, Pages 55-56*

- *Environmental, 2023 Social Responsibility Report, Pages 84-103*

- *Promoting inclusive finance, 2023 Social*

<p>environmental risks, guidelines for credit approval investigations on environmental risks, and key points for post-lending inspections for each industry. In response to the requirements of national environmental protection laws and regulations, industrial policies and industry access system, the Bank developed the <i>Hua Xia Bank Credit, Investment and Financing Policy for 2023</i> to increase its financial support for climate investment and financing, with a focus on those industries listed in the <i>Green Industry Guiding Catalogue</i> (2019 Edition). According to this Policy, the Bank treated green loans as loans with great development potential.</p> <p>The Bank has issued credit approval guidelines for industries such as new energy vehicles, wind power, photovoltaic and sewage treatment, so as to channel more credit resources to industries and enterprises with low energy consumption, pollution and emissions. It has mapped out credit approval guidelines for the steel industry, and intends to constantly optimize and adjust its credit strategy by staying abreast of the developments of the industry. It also supported the transformation and upgrading of certain high-quality enterprises in the traditional manufacturing industry, eliminated “one-size-fits-all” carbon reduction, and enabled stable production and supply, seeking a smooth transition when pursuing growth and ensuring environmental protection, so as to steadily advance the economic and social transformation towards the goal of carbon peak and carbon neutrality.</p> <p>-Collaboration with multiple parties</p> <p>The Bank actively communicated with participating parties such as government authorities, professional institutions and international organizations to enhance cooperation in low-carbon environmental protection.</p> <p>In terms of cooperation with the government authorities and professional institutions, the Bank actively responded to the policy requirements of the State Council, the National Development and Reform Commission (NDRC), the Ministry of Ecology and Environment (MEE), the National Financial Regulatory Administration (NFRA), and the People’s Bank of China (PBOC), and conducted in-depth research to support the implementation of Carbon Peaking Action Plan in various provinces and cities. The Bank participated in the 4th Green Development Forum of Beijing Municipal Administrative Center and delivered a keynote speech titled “Explorations and Practices in Financial Support for Green and Low-Carbon Development”. At the 2023 Green Low-Carbon High-Quality Development Conference, jointly hosted by the MEE, the China Association for Science and Technology (CAST), and the Provincial Government of Shandong, presented a keynote speech titled “Practices and Exploration in Financial Services for Green, Low-Carbon, and High-Quality Development”.</p> <p>In terms of international cooperation, the Bank exchanged views with the World Bank on the Bank’s development in the field of green finance and the progress of the China Renewable Energy and Battery Energy Storage Promotion Project. Boasting close partnerships with international financial organizations such as the World Bank, the French Development Agency, and the Asian Development Bank, the Bank has introduced in nearly USD1 billion in foreign investment through loan transfer projects., and highly recognized by the World Bank and relevant national ministries and commissions in terms of its international collaboration in the field of green finance.</p>	<p><i>Responsibility Report, Pages 32-37</i></p> <p><i>- Policy System, 2023 Environmental Information Disclosure Report, Pages 15-22</i></p>
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-Actions

The Bank has developed a special action plan for green and low-carbon development, and continued to implement the ESG investment and financing strategies. Outcomes have been achieved in the deployment of resources in key sectors, the innovation of products and services and extensive cooperation mechanisms, tighter climate risk management, and accelerating of fintech development and green operations.

It increased support for green and low-carbon businesses, delved deeply into the clean energy sector, and constantly enhanced expertise in energy conservation, environmental protection, clean production, ecological environment, and green upgrade in infrastructure. It also proposed relevant solutions for key sectors.

It improved the innovation mechanism for green financial products, stepped up in the development of new low-carbon financial products, and created a comprehensive service system for green financial products including green loans, green bonds, green investments, green leasing, underwriting of green debt financing instruments, green wealth management, green funds, and carbon finance.

It accelerated the pace of developing and applying IT systems for green finance, improved the basic data system for climate investment financing, and worked continuously to develop the information systems for green finance.

**Financial inclusion**

-Policy development

As early as in 2009, the Bank explicitly emphasized the strategy of “financial service provider for SMEs”, and established an inclusive finance system featuring professionalism, specialization, and exclusiveness by effectively boosting financial products and business innovation. In the *Hua Xia Bank Development Plan 2021-2025*, the Bank proposed to maintain strategic consistency, keep on investing in the brand of “financial service provider for SMEs”, conform to the policy requirements for serving MSEs, and fulfill its social responsibility as a state-owned financial institution, aiming to become the best partner for the growth of SMEs. The Bank’s policies related to inclusive finance include the *Hua Xia Bank Implementation Plan for Comprehensively Promoting Rural Vitalization in 2023*.

-Collaboration with multiple parties

The Bank has actively connected with relevant government authorities to deepen cooperation in inclusive finance.

The Bank implemented the requirements of the NDRC, timely forwarded the list of recommended enterprises from the “National Comprehensive Credit Service Platform for Financing of SMEs” (known as the “Xinyidai Platform”) of the NDRC, proactively participated in marketing, and established a regular feedback mechanism. The Bank collaborated with the SME Bureau of the Ministry of Industry and Information Technology (MIIT) to gain access to regular disclosure of the list of small and medium-sized specialized and sophisticated producers of new and unique products nationwide, and continued to support transformation and upgrading of such enterprises. The Bank also accessed the Xinyidai

<p>Platform data, and promote sharing of credit information to facilitate financing of micro-, small-, and medium-sized enterprises.</p> <p><b>-Actions</b></p> <p>The Bank highlighted its digital value-added services to enable accessibility and interconnectivity, mainly including four spectrums of offerings covering digital inclusive finance, sci-tech innovation, rural revitalization and industrial chain, to provide comprehensive, featured financial services for SMEs.</p> <p>The first is digital inclusive finance products that are technically enabled to ensure availability by “one-touch”. The Bank’s self-developed “Intelligent Service Platform of Digital Inclusive Finance” integrated with the “Puhuitong” app, lifts physical limitations and enables whole-process mobile processing for clients.</p> <p>The second is key field products that are user-friendly under innovative models. Focusing on national key areas for development, this spectrum of products focus on key areas supported by the state and feature simplified application process for entrepreneurial development around technological innovation, specialized and sophisticated producers of new and unique products, strategic emerging industries, green and low-carbon transition, and “San Nong” .</p> <p>The third is ecosystem and chain scenario products that are designed as levers to establish a eco-chain. This spectrum of products are embedded with ecological scenarios to enable mutual empowerment between the Bank and clients. With differentiated entry criteria, the Bank updates full-life-cycle services to achieve mutual benefits with clients and create shared value.</p> <p>The fourth is the products with regional characteristics that are customized to address specific needs. With consideration of industries with typical local characteristics, local branches innovated service models appropriately and developed featured products that meet customer needs.</p>	
<p><b>3.2 Business opportunities</b></p> <p>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.).</p>	
<p><b>Response</b></p> <p><b>Climate change mitigation</b></p> <p>The Bank has implemented its plan to create new features for green finance and improve green financial services, building a brand of “Green Growth for a Better China”.</p> <p>The Bank has earnestly implemented national policies on industrial development and environmental protection and financial regulatory requirements, to step up financing supply for green and low-carbon industries</p>	<p><i>For further information, please refer to:</i></p> <p><i>- 5.1.2 Green finance, 2023 Annual Report, Pages 85-86</i></p> <p><i>-3.14.3 Inclusive finance, 2023</i></p>

<p>and increase the proportion of green loans in its portfolio, providing financial support for the transition to green society; used green bonds as a new financing instrument to support the development of green industries in China; stepped up efforts to develop green investment business by issuing ESG, carbon neutrality, and green bonds; actively promoted green leasing by leveraging the characteristics of the business to support enterprises engaging in green industries, and built a green leasing system with green energy, green transport, pollution control, and circular economy at the core.</p>		<p><i>Annual Report, Pages 55-56</i></p> <p><i>- Environmental, 2023 Social Responsibility Report, Pages 84-103</i></p>
Green loans	<p>To seize the opportunities emerging in carbon trading market and regulate the development of carbon credits-backed financing business, the Bank has developed the <i>Hua Xia Bank Administrative Measures for Carbon Credits-backed Financing Business (Provisional)</i>, which put forward requirements on business management, pledge process and post-lending management. In accordance with the Administrative Measures, the Bank has developed carbon credits-backed financing business in an orderly manner and deepened cooperation with key clients. Hangzhou Branch and Wuhan Branch of the Bank have launched carbon credits-backed financing services to help enterprises revitalize carbon assets and support China’s transition to green and low-carbon economic development.</p>	<p><i>- Promoting inclusive finance, 2023 Social Responsibility Report, Pages 32-37</i></p>
Green bonds	<p>The Bank has increased investment in green bonds and vigorously supported the green economy, low-carbon economy, and circular economy. It successfully issued RMB10 billion in green bonds. The funds raised were allocated to 74 green-industry projects listed in the <i>Green Bond Endorsed Projects Catalogue (2021 Edition)</i>, covering the five areas of energy conservation and environmental protection, clean production, clean energy, ecological environment, and green upgrading of infrastructure.</p>	
Green leasing	<p>The Bank has established the development strategy featuring “Green Leasing”, to gradually build a green business ecosystem with green energy, green transport, pollution control, and circular economy at the core. It has deeply cultivated green energy sectors such as wind power and photovoltaic, explored the green transport market, including new energy vehicle ride-hailing and freight vehicles, and worked to develop emerging business such as vendor leasing, cold chain logistics, and offshore wind turbine installation vessels. As at 31<sup>st</sup> December 2023, the balance of green leasing stood at RMB62.252 billion.</p>	
Green wealth management	<p>The Bank issued CSI HUAXIA BANK Green Economy Wealth Index, the first asset allocation index in China that matches the green and low-carbon transformation of economic activities, aiming at reflecting the development status of the green economy and providing a professional reference tool for resident asset allocation. The Bank believes green investments are the key to accelerating green development and conducts ongoing ESG industry</p>	



	research. It has successively launched multiple ESG wealth management products.
Green consumption	The Bank has been forging ahead toward the carbon peak and carbon neutrality goals, stoking the transition to a low-carbon society. ETC installations were further promoted with a variety of financial services and car user benefits, encouraging car owners to choose green travel. The mobile banking-based cloud payment features were provided for metro riders in selected cities, giving a boost to low-carbon mobility.
<p><b>Financial inclusion</b></p> <p>Following the issuance of <i>Implementation Opinions of the State Council on Promoting the High-Quality Development of Inclusive Finance</i>, China has made impressive progress in the development of inclusive finance, exhibiting marked improvement in the coverage, accessibility and customer satisfaction of financial services, and boasting a network of services reaching every household in rural areas, rapid development of mobile payment, digital credit and other businesses, and enhanced financial service capabilities for MSEs and “San Nong” customers. The Bank embraces tremendous opportunities in products and services for key inclusive finance clients and digital inclusive finance. Meanwhile, the Bank attaches great importance to preventing and resolving financial risks in key areas, cracking down on illegal financial activities, and advocating responsible finance, thus effectively protecting the legitimate rights and interests of financial consumers.</p> <p>The Bank has continued to improve the brand of “financial service provider for SMEs”, by actively engaging small- and micro-sized market players and supporting them with lower cost of funding under a reasonable pricing mechanism.</p>	
Key initiative 1 Support small- and micro-sized specialized and sophisticated enterprises that produce new and unique products	Launch the “Thousand, Hundred, Ten” program for specialized and sophisticated enterprises that produce new and unique products, and provide these enterprises with special authorization for credit limit, offering a maximum loan amount of RMB30 million for a single legal-person customer; strengthen comprehensive services for all businesses and processes, and establish a streamlined approval process, providing services with a “customized approach for each customer, real-time review, priority review meetings, and expedited approval”; provide preferential policies for the admission of specialized and sophisticated enterprises that produce new and unique products on the whitelist, offering benefits in terms of industry, customer, guarantee, region, and corporate group.
Key initiative 2 Improve the assessment mechanism for business management	Increase the weighting of inclusive finance assessments and introduce incentives for internal fund transfer pricing and economic capital utilization.

	<p>Establish a process management evaluation system for inclusive finance, covering six dimensions—mechanism construction, customer management, business operations, risk control, team development, and business innovation, to guide branches in conducting inclusive finance business to higher standards.</p> <p>Implement a mechanism for credit due diligence exemption and error tolerance, including additional criteria for personnel in each business process for MSEs, and enhance the due diligence exemption system for credit to MSEs.</p>	
<p>The Bank has diligently implemented the <i>Opinions of the Central Committee of the Communist Party of China and the State Council on Comprehensively Promoting the Key Work of Rural Revitalization in 2023</i>, pooling resources to support the vitalization efforts and intensifying its commitment to providing agriculture-related loans. Harnessing the power of finance, the Bank aims to empower rural vitalization.</p>		
<p>Key initiative 1 Improve top-level design</p>	<p>The Bank has established a rural revitalization leadership group led by the Party Committee Secretary and Chairman, which spearheaded the formulation of the <i>Hua Xia Bank Implementation Plan for Comprehensively Promoting Rural Vitalization in 2023</i>.</p>	
<p>Key initiative 2 Consolidate the achievements in poverty alleviation</p>	<p>Utilizing the financial sector’s capabilities to promote rural industry development, the Bank has coordinated the allocation of financial resources and introduced innovative product and service models customized to the conditions of supported areas. Meanwhile, the Bank has consistently enhanced credit support for these regions.</p> <p>Focusing on assisting villages with a weak collective economy in Beijing to increase income, the Bank has implemented a targeted assistance plan called “One Policy For One Village.” The Bank has dispatched outstanding officials to serve as “First Secretary” in these villages to assist economically weak villages in making the best use of various assistance funds. These endeavors aim to bolster the collective increase of annual operating income for these villages and address various practical challenges.</p> <p>By launching consumption support programs and purchasing agricultural and sideline products from key supported areas like Beijing, Inner Mongolia and Xinjiang etc., the Bank contributes to the promotion of agricultural product sales.</p>	
<p>Key initiative 3 Enhance mechanisms</p>	<p>The Bank has incorporated performance indicators in the performance assessment system for branches and branch leadership. Meanwhile, the Bank has consistently raised the importance of these</p>	

	<p>indicators to enhance motivation.</p> <p>The Bank has provided internal fund transfer pricing incentives for inclusive agriculture-related loans to motivate operating units to extend credit to support areas designated to receive assistance.</p>	
<p>Leveraging the advantages of financial institution resources, the Bank has tailored distinctive inclusive financial products to meet the diverse financial service needs for inclusive clients.</p>		
<p>Featured offering 1 “Business Loans Secured by Property” service</p>	<p>The Bank has developed the “Business Loans Secured by Property” 6.0 service, fully digitized to improve efficiency. Leveraging its in-house “digital inclusive intelligent risk control platform”, the Bank has introduced features including online application and property valuation, automated file creation and risk screening, online signing, property mortgage, withdrawal and repayment, and automated post-loan management. Clients and customers can access an end-to-end online loan service with flexible borrowing and repayment options, and they are offered a maximum loan amount of RMB30 million. This service effectively meets the frequent small loan fund requirements of MSEs.</p>	
<p>Featured offering 2 Internet loan services</p>	<p>The Bank has actively pursued high-quality partnership projects, with a focus on leading platforms. In addition, the Bank has introduced new online loan products, including the “Sunshine Hua Xia Personal Business e-Loan”, “Micro Business Loan”, and “Qingdao Zhongan Dragon e-Loan”. These initiatives leverage technologies such as the Internet and mobile communication to improve credit accessibility MSEs.</p>	
<p>Featured offering 3 Technology Innovation e-Loan</p>	<p>The Bank has launched the “Technology Innovation e-Loan” product specifically for technology-oriented enterprises listed under the Zhongguancun Management Department’s client list of the Beijing Branch. Harnessing financial technology, this initiative aims to support the growth of innovative and technological businesses.</p>	
<p>Featured offering 4 Food Supply Assurance Loan</p>	<p>The Bank has developed an exclusive digital loan product named the “Food Supply Assurance Loan” for the Xinfadi market in Beijing, the largest wholesale food market in Asia. This initiative is aimed at facilitating a fully online end-to-end business process, and promoting financial services supporting the development of the “Beautiful Countryside Plus” new industries and new forms of business.</p>	

# 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

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes       In progress       No

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.

### Response

The Bank identifies stakeholders in relation to the impact analysis and target setting process on an annual basis. In 2023, the Bank identified eight major stakeholders, including the government, regulators, clients and customers, shareholders and investors, employees, partners, communities, and the environment, and regularly consulted, engaged, collaborated and partnered with them. It gives great weight to the interests of its stakeholders and continues to identify, assess, screen, and update related issues. It prioritizes issues based on two dimensions: importance of sustainable development of Hua Xia Bank and importance to stakeholders. Through this process, the Bank identifies substantial issues that are important to both its stakeholders and itself, and commensurately implements responses.

*For additional information, please refer to:*

*- Analysis of substantial issues, 2023 Social Responsibility Report, Page 19*

*- Stakeholder communication, 2023 Social Responsibility Report, Page 21*

Stakeholder	Core expectation	Main response
Government	Supporting national strategy	Serving coordinated regional development
	Serving the real economy	Supporting China's opening-up
	Developing inclusive finance	Supporting the growth of private small- and micro-seized businesses
	Supporting rural vitalization	Advancing rural vitalization
	Paying tax in full pursuant to laws	Studying and implementing the relevant financial policies
		Proactively paying taxes in full

Regulators	Compliance Strict risk management	Implementing regulatory policies Accepting supervision Strengthening risk prevention
Clients and Customers	Safeguarding customer rights Accelerating product innovation Improving customer experience	Strengthening the protection of consumer rights Enhancing financial innovation Providing high-quality and efficient services Advancing digital transformation
Shareholders and investors	Improving corporate governance Ensuring sustained and stable return Protecting shareholders' rights and interests Achieving transparent operation	Improving corporate governance Realizing stable operation Creating values for shareholders Accurately information disclosure Holding shareholder meetings
Employees	Protecting employees' rights and interests Ensuring salaries and benefits Improving the working environment Making career development plans	Protecting the basic rights and interests of employees Facilitating career development channels Providing job skills training Carrying out diverse cultural and sports activities Holding employee congresses
Partners	Realizing Win-win cooperation Contract fulfillment with integrity	Strengthening exchanges and cooperation Improving procurement management to be open and transparent
Communities	Financial knowledge popularization Support for community development Engagement in public welfare undertakings	Publicizing financial knowledge Organizing community service activities Encouraging employees to engage in voluntary activities Participating in charitable activities
Environment	Facilitating green development Focusing on climate change	Developing green finance Promoting green offices Participating in eco-friendly public activities

# Principle 5: Governance & Culture



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

## 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes       In progress       No

Please 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. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

### Response

The Bank's Board of Directors is responsible for developing and approving strategies and conducting oversight. The Sustainability and the implementation of the PRB are supervised by the Board of Directors at the high-level. For detailed information on members of the Board of Directors, please refer to the 2023 Annual Report. The Board of Directors or Senior Management shall review the implementation of PRB at least once a year.

### Climate change mitigation

#### -Governance

The Board of Directors takes charge of mapping out the Bank's green finance development strategy, policies and objectives, approving the green finance objectives set and green finance reports prepared by the Senior Management, and supervising and evaluating the implementation of the Bank's green finance development strategy. The Strategy and Capital Management Committee is mainly responsible for formulating the Bank's green finance development strategy, reviewing the green finance objectives and green finance reports prepared by the Senior Management, and submitting them to the Board of Directors for approval. The Risk Compliance and Consumer Protection Committee is mainly responsible for formulating the Bank's risk management policies and submitting them to the Board of Directors for approval. The

*For further information, please refer to:*

*- Environmental, 2023 Social Responsibility Report, Pages 84-103*

*- Promoting inclusive finance, 2023 Social Responsibility Report, Pages 32-37*

*- Governance Structure, 2023 Environmental Information Disclosure Report, Pages 11-12*

Nomination and Remuneration Assessment Committee incorporates green finance-related indicators into the performance assessment plan for senior managers.

**-Senior Management**

The Bank has set up the Green Finance Management Committee, chaired by the Vice President in charge of corporate banking, with 14 subordinate departments. The Committee is responsible for coordinating the implementation of the green finance strategy and review the Bank's green finance development plan, work plan and promotion plan.

**-Head Office Department**

The Green Finance Management Committee Office is located at the Green Finance Center under the Corporate Banking Department of the Head Office, taking charge of formulating development goals and plans of green finance.

**-Branches**

Each tier one branch has set up a leading group for green finance, taking charge of the operation and management, marketing and risk control of green finance at the branch level.

**-Performance assessment policies**

The Bank has implemented a performance assessment policy for green finance. Specifically, for the Head Office, the Bank has clarified the green finance assessment indicators for the Vice President in charge of this segment. For branches, the Bank has established a green finance assessment and evaluation system that integrates qualitative and quantitative indicators, focusing on the proportion of green loan balances, the innovation and application of green finance products, and the environmental and social risk management of each branch; it has enhanced its supervision and inspection rules of environmental and climate risk management, evaluating the environmental and social risk management of branches on a semiannual basis. The results of such assessment and evaluation shall be included in the performance assessment system of each branch and used as key indicators of the comprehensive evaluation.

**Financial inclusion**

**-Governance**

The Board of Directors takes charge of firming up the Bank's inclusive finance strategy, and monitoring and evaluating its implementation. The Strategy and Capital Management Committee is mainly responsible for formulating the strategic development plan and basic policy for inclusive finance, and reviewing the annual work plan for inclusive finance. The Nomination and Remuneration Assessment Committee incorporates inclusive finance-related indicators into the performance assessment plan for Senior Managers.

*- Policy System:  
Internal  
Management  
Standards, 2023  
Environmental  
Information  
Disclosure Report,  
Pages 16- 17*

<p>-Senior Management</p> <p>The Bank has set up a leading group for inclusive finance, with the President as the leader and the Vice President in charge of inclusive finance as deputy. With 14 subordinate departments, the leading group assumes the responsibility of coordinating and enhancing the management and development of inclusive finance across the Bank, and putting constraints and incentive policies in place.</p> <p>-Head Office Department</p> <p>The leading group office is located at the Inclusive Finance Department of the Head Office, taking charge of formulating development goals and plans of inclusive finance.</p> <p>-Branches</p> <p>Each tier one branch has set up the Inclusive Finance Department, taking charge of the operation and management, marketing and risk control of inclusive finance at the branch level.</p> <p>-Performance assessment policies</p> <p>The Bank has embedded inclusive finance into the performance assessment policy. Specifically, for the Head Office, the Bank has clarified the inclusive finance assessment indicators for the Vice President in charge of this segment. At the branch level, the inclusive finance KPIs and the implementation of regulatory policies affect the evaluation and promotion of the key branch leaders. In addition, the Bank applies a one-vote veto criterion against standardized operations and data quality related to regulatory evaluation of financial services provided to MSEs. For branches that negatively affected the bank-level regulatory evaluation results, personnel in charge of inclusive finance and the branch leader shall be rated “basically competent” in the annual assessment.</p>	
<p><b>5.2 Promoting a culture of responsible banking:</b></p> <p>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, amongst others).</p>	
<p><i>Response</i></p> <p>Upholding the brand philosophy of being “Sustainable, Wonderful”. The Bank take "Sustainable " as the code of conduct and "Wonderful " as the goal. The Bank focuses on strategic firmness and agility, and underpins corporate banking with comprehensive financial services. The Bank has intensified its efforts in invigorating the new momentum in transformation of retail banking towards digitalized operation, creating new characteristics for the development of green finance and wealth management, and building the Beijing-Tianjin-Hebei region, the Yangtze River Delta and Guangdong-Hong Kong-Macao Greater Bay Area as new financial hubs, so as to quicken the pace of building itself into a distinctive and competitive national joint-stock commercial bank delivering high-quality services, and continue to forge ahead towards the goal</p>	<p><i>For further information, please refer to:</i></p> <p>- 5.2 Social Responsibility Information, 2023 Annual Report, Page 87</p> <p>- About Us, 2023 Environmental Information</p>



<p>of building a colossal, competitive, and outstanding modern financial group with stable operations, thus creating more magnificent chapters for the Chinese path to modernization.</p> <p>The Bank has conducted ad-hoc meetings training to enhance its employees' understanding of PRB, especially its relevance to the business of each department. The Bank's PRB Working Group has been actively maintaining close communication with UNEP FI to keep abreast of the implementation of PRB domestically and overseas, and do a good job of internal conduction.</p>	<p><i>Disclosure Report, Page 3</i></p>
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**5.3 Policies and due diligence processes**

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

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.

<p><b>Response</b></p> <p>The Bank developed the <i>Guidelines of Hua Xia Bank for Environmental, Social and Governance Risk Management of Corporate Credit</i>, covering the entire process of due diligence on credit approval, review and approval, contract signing, fund disbursement, and post-lending and post-investment management. The <i>Guidelines</i> were tailored for clients according to the environmental risk sensitivity of the customer's industry, and the customer's own ESG performance, accentuating the necessity of reinforcing ESG risk management throughout the credit business process.</p> <p style="text-align: center;">The Bank's ESG risk management process</p> <table border="1" data-bbox="252 1301 1150 1939"> <tr> <td data-bbox="252 1301 531 1664"> <p>Due diligence on credit approval</p> </td> <td data-bbox="531 1301 1150 1664"> <p>During the course of due diligence on credit approval, the Bank gathers sufficient assessment documents and information of the customer's ESG performance, conducts ESG risk assessment on the customer in light of the industry in which it operates, and comprehensively discloses the customer's ESG risk profile and assessment results in the report of due diligence on credit approval.</p> <p>The Bank strictly restricts the granting of credit to clients who have significant ESG risks and serious violations of laws and regulations.</p> </td> </tr> <tr> <td data-bbox="252 1664 531 1803"> <p>Review and approval</p> </td> <td data-bbox="531 1664 1150 1803"> <p>The Bank prudently assesses the customer's ESG risks, brings up management measures as appropriate, and clarifies relevant credit approval and loan disbursement conditions.</p> </td> </tr> <tr> <td data-bbox="252 1803 531 1939"> <p>Contract signing</p> </td> <td data-bbox="531 1803 1150 1939"> <p>Based on the nature and severity of the customer's ESG risks, the Bank adds the warranty clause for the customer to strengthen ESG risk management and the risk disposal clause in case of default.</p> </td> </tr> </table>	<p>Due diligence on credit approval</p>	<p>During the course of due diligence on credit approval, the Bank gathers sufficient assessment documents and information of the customer's ESG performance, conducts ESG risk assessment on the customer in light of the industry in which it operates, and comprehensively discloses the customer's ESG risk profile and assessment results in the report of due diligence on credit approval.</p> <p>The Bank strictly restricts the granting of credit to clients who have significant ESG risks and serious violations of laws and regulations.</p>	<p>Review and approval</p>	<p>The Bank prudently assesses the customer's ESG risks, brings up management measures as appropriate, and clarifies relevant credit approval and loan disbursement conditions.</p>	<p>Contract signing</p>	<p>Based on the nature and severity of the customer's ESG risks, the Bank adds the warranty clause for the customer to strengthen ESG risk management and the risk disposal clause in case of default.</p>	<p><i>For further information, please refer to:</i></p> <ul style="list-style-type: none"> <li>- <i>Environmental, 2023 Social Responsibility Report, Pages 84-103</i></li> <li>- <i>Environmental risk management process, 2023 Environmental Information Disclosure Report, Page 26</i></li> </ul>
<p>Due diligence on credit approval</p>	<p>During the course of due diligence on credit approval, the Bank gathers sufficient assessment documents and information of the customer's ESG performance, conducts ESG risk assessment on the customer in light of the industry in which it operates, and comprehensively discloses the customer's ESG risk profile and assessment results in the report of due diligence on credit approval.</p> <p>The Bank strictly restricts the granting of credit to clients who have significant ESG risks and serious violations of laws and regulations.</p>						
<p>Review and approval</p>	<p>The Bank prudently assesses the customer's ESG risks, brings up management measures as appropriate, and clarifies relevant credit approval and loan disbursement conditions.</p>						
<p>Contract signing</p>	<p>Based on the nature and severity of the customer's ESG risks, the Bank adds the warranty clause for the customer to strengthen ESG risk management and the risk disposal clause in case of default.</p>						

Fund disbursement	For specific clients, the Bank regards ESG risk management as a crucial basis for disbursing credit funds, and re-evaluate the ESG performance of such clients in the risk assessment process (when the Bank has approved credit) to determine whether there are significant risk events or potential risks.	
Post-lending and post-investment management	The Bank keeps gathering information on clients' ESG risks, dynamically tracks and assesses changes in risk factors, adjusts risk classifications, and adopts differentiated management measures; For clients with ESG risk exposures, the Bank provides instant warnings and formulates risk mitigation measures.	

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

## 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.

### 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes  Partially  No

If applicable, please include the link or description of the assurance statement.

<p><i>Response</i></p> <p>The responses to questions under items 2.1, 2.2, 2.3 and 5.1 are assured. Please refer to the <i>Independent Assurance Report</i> issued by Ernst &amp; Young Hua Ming LLP.</p>	
<p><b>6.2 Reporting on other frameworks</b></p> <p>Does your bank disclose sustainability information in any of the listed below standards and frameworks?</p> <p><input checked="" type="checkbox"/> GRI</p> <p><input type="checkbox"/> SASB</p> <p><input type="checkbox"/> CDP</p> <p><input type="checkbox"/> IFRS Sustainability Disclosure Standards (to be published)</p> <p><input checked="" type="checkbox"/> TCFD</p> <p><input checked="" type="checkbox"/> Other: ....</p>	
<p><i>Response</i></p> <p>The <i>2023 Social Responsibility Report</i> was prepared in accordance with the <i>Guidelines for Financial Institutions Environmental Information Disclosure</i> (PBOC), the <i>Opinions on Strengthening the Corporate Social Responsibility of Banking Institutions</i> issued by the former China Banking Regulatory Commission (CBRC), the <i>Guidelines on Corporate Social Responsibility for Financial Institutions in China's Banking Sector</i> by China Banking Association (CBA), and the <i>Guidelines No.1 for Self-Regulation of Listed Companies - Standardized Operation</i> issued by Shanghai Stock Exchange (SSE), the <i>GRI Sustainability Reporting Standards</i> (GRI Standards) issued by Global Sustainability Standards Board (GSSB) and <i>IFRS S2 Climate-related Disclosures</i> issued by International Sustainability Standards Board (ISSB).</p> <p>The <i>2023 Environmental Information Disclosure Report</i> was prepared in accordance with the <i>Guidelines for Financial Institutions Environmental Information Disclosure</i> (PBOC), the <i>Green Finance Guidelines for Banking and Insurance Sectors</i> issued by the former CBIRC, the <i>Recommendations of the Task Force on Climate-Related Financial Disclosure</i> issued by TCFD, and <i>IFRS S2 Climate-related Disclosures</i> issued by ISSB.</p>	<p><i>For further information, please refer to:</i></p> <p>- <i>About the preparation of this report, 2023 Corporate Social Responsibility Report</i></p> <p>- <i>About the preparation of this report, 2023 Environmental Information Disclosure Report</i></p>
<p><b>6.3 Outlook</b></p> <p>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.</p>	
<p><i>Response</i></p> <p>By understanding the essence of high-quality financial development, the Bank will explore new models and paths to serve new productivity engines, make innovative breakthroughs in “Five Priorities”, namely technology finance,</p>	<p><i>For further information, please refer to:</i></p> <p>- <i>Message From Chairman, 2023</i></p>

green finance, inclusive finance, pension finance and digital finance. With commitment of self-improvement, the Bank will contribute to high-quality social and economic development, growth of new power engines and modernization with Chinese characters relentlessly.

Focusing on green development, the Bank will create new features in green finance, and accelerate innovation of low-carbon financial products and the construction of a well-structured product system that includes all types of green offerings by applying a more open mindset, more effective measures and more innovative thinking; devote greater effort to promote transformation finance and develop capabilities to support the low-carbon transition of clients and offer other featured services; advance digital transformation and continue to improve green financial services enabled by technologies; further practice ESG and make every effort to improve ESG risk management; enhance the Bank's brand image, maintain communications and cooperations with international organizations, increase brand presence and social influence, and achieve quality improvement and quantity growth of green finance business, responding to the national guidance to develop green finance as a major financial enabler.

With the commitment to serve people, the real economy and national strategies, the Bank will focus on key areas such as financial services for MSEs, "San Nong", and overcome weaknesses. The Bank will optimize planning and guidance to prioritize resources and policies to facilitate financing availability, rural revitalization, and inclusive finance mechanism to ensure adequate inclusive credit support with stable prices and optimized supply structure. The Bank will consolidate its competitive advantages of inclusive finance with its distinctive features, improve and complete inclusive financial system compatible with the development of the real economy, and continue to polish the brand of "financial service provider for SMEs".

*Annual Report, Pages 2-3*

*- Message From Chairman, 2023 Corporate Social Responsibility Report, Pages 4-5*

*- Toward the future, 2023 Environmental Information Disclosure Report, Page 79*

## 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- |  |   |
|--|---|
| <input type="checkbox"/> Embedding PRB oversight into governance                               | <input type="checkbox"/> Customer engagement    |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank                           | <input type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability      |
|  | <input type="checkbox"/> Data quality           |
|  | <input type="checkbox"/> Access to resources    |

- Conducting an impact analysis
- Reporting
- Assessing negative environmental and social impacts
- Assurance
- Choosing the right performance measurement methodology/ies
- Prioritizing actions internally
- Setting targets
- Other: ...

If desired, you can elaborate on challenges and how you are tackling these:



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## Independent Assurance Report

Ernst & Young Hua Ming (2024)  
Zhuan Zi No. 70013365\_A05  
Hua Xia Bank Co., Limited

### To Hua Xia Bank Co., Limited

We have been engaged by Hua Xia Bank Co., Limited (the “Bank”) to perform a limited assurance engagement in accordance with International Standards on Assurance Engagements, in respect of the selected information as described below within the Bank’s 2023 Reporting and Self-Assessment of Principles for Responsible Banking (the “PRB Report”).

### Scope

The scope of our work includes only the selected information included within selected sections from responses within the Bank’s PRB Report for the year ended 31 December 2023 (the “Selected Information”). The Selected Information includes the high-level summary of the bank’s response to the following requirements:

- Section 2.1 - Impact Analysis
- Section 2.2 - Target Setting
- Section 2.3 - Target Implementation and Monitoring
- Section 5.1 - Governance Structure for Implementation of the Principles

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Bank’s PRB Report.

### Criteria applied by the Bank

In preparing the Selected Information, the Bank applied *Reporting and Self-Assessment Template* (the “Criteria”) published by the United Nations Environment Programme Finance Initiative (the “UNEP FI”). The Selected Information needs to be read and understood together with the Criteria.

The Criteria was specifically designed for the preparation of the Bank’s PRB Report. As a result, the Selected Information may not be suitable for other purposes.



## Independent Assurance Report (Continued)

Ernst & Young Hua Ming (2024)  
Zhuan Zi No. 70013365\_A05  
Hua Xia Bank Co., Limited

### The Bank's responsibilities

The Bank's management is responsible for selecting the Criteria, and for presenting the Selected Information in accordance with the Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Selected Information, such that it is free from material misstatement, whether due to fraud or error.

### EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Selected Information based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information (the "ISAE 3000 (Revised)")*. The standard requires that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Selected Information in the Bank's PRB Report in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



## Independent Assurance Report (Continued)

Ernst & Young Hua Ming (2024)  
Zhuan Zi No. 70013365\_A05  
Hua Xia Bank Co., Limited

### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Selected Information, and applying analytical and other appropriate procedures.

The procedures performed includes:

- 1) Conducted interviews with the Bank's personnel to understand the systems and processes in place to collect data and prepare the Bank's PRB Report and confirming our understanding against documents produced by the Bank.
- 2) Read the Bank's PRB Report and considering the appropriateness of the description of the processes, activities and outcomes and whether these sufficiently reflect the actions taken by the Bank, given the understanding and knowledge obtained by us through the course of this engagement.
- 3) Obtained evidence, on a sample basis, to test the accuracy of the statements within Selected Information of the Bank's PRB Report.
- 4) Other procedures deemed necessary.







**Independent Assurance Report (Continued)**

Ernst & Young Hua Ming (2024)  
Zhuan Zi No. 70013365\_A05  
Hua Xia Bank Co., Limited

**Conclusion**

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Selected Information in the Bank's PRB Report for the year ended 31 December 2023, in order for it to be in accordance with the Criteria.

**Restricted use**

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

*Ernst & Young Hua Ming LLP*

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Ernst & Young Hua Ming LLP  
31 July 2024  
Beijing, China

