

# Hengfeng Bank Reporting and Self-Assessment for Principles for Responsible Banking (PRB) in 2024

## 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.	
<i>Response</i>	<i>Links and references</i>
<p>Hengfeng Bank is one of the 12 national joint-stock commercial banks, with 347 branches in 15 provinces (municipalities), including 2 specialized institutions, 58 branches (including first-level branches and second-level branches), and 287 sub-branches and sub-offices. As of the end of the reporting period, the total assets of the bank were CNY <a href="#">1,535.33</a> billion, with a year-on-year increase of 6.64%. During the reporting period of 2024, the bank was awarded the "2023 Financial Support for Hubei Economic Development Outstanding Contribution Unit", "Best Supply Chain Finance Bank". Our Sustainability Linked Loan product won the "Shandong Province Support for High-quality Economic Development Excellent Financial Innovation Product Award". Our bank was also awarded the "China Cross-border Financial Benchmark Enterprise Award (Golden Rudder Award) - Best Cross-border Financial Growth Bank", "2024 Banking ESC Practice Model Case" and other honorary titles.</p> <p>As a comprehensive financial institution, Hengfeng Bank has a diversified business portfolio, and the bank primarily engages in Corporate Banking, Retail Banking, and Interbank business, among which our corporate banking business includes corporate finance business, institutional finance business, inclusive finance business, transaction banking business, investment banking business and asset management business. Our retail banking business includes personal client business, retail consumption loans, wealth management business,</p>	<p>2024 Annual Report Hengfeng Bank Co., Limited. P89, P7-9</p>

debit card, credit card business and private banking business. Interbank business includes interbank finance business, financial market business and asset custody business.

In terms of the number of customers, at the end of the reporting period in 2024, Hengfeng Bank had 6.46 million retail banking customers, an increase of 7.92% over the previous year, of which mobile banking users reached 3.676 million, an increase of 0.37 million compared with the end of the previous year, representing a growth rate of 11.12%.

In addition, the total amount of loans and advances issued by our bank in 2024 was CNY 861.134 billion, an increase of CYN 48.828 billion from the previous reporting period. Specifically, the balance of corporate loans was CNY 725.629 billion (accounting for 84.27%), an increase of CNY 45.276 billion from the end of the previous period; personal loans were CNY 129.450 billion (accounting for 15.03%), an overall increase of CNY 8.643 billion from the end of the previous year.

In terms of the industry distribution of loans, the main industries of our bank's loans in 2024 are leasing and commercial services (27.85%), water conservancy, environment and public facilities management industries (15.05%), construction (8.55%), real estate (8.27%), manufacturing (7.79%), wholesale and retail (5.90%). In terms of geographical distribution, the overall regional structure of our bank's loan portfolio is relatively stable, mainly distributed in economically developed regions such as the Yangtze River Delta and the Bohai Rim. At the end of the reporting period, the Yangtze River Delta and the Bohai Rim accounted for 69.84% of our outstanding loans, of which the Yangtze River Delta (35.51%) and the Bohai Rim (34.33%). In addition, the western region accounted for 14.54%, and the central region and the Pearl River Delta accounted for a relative small proportion.

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## 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: -----

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on

modern slavery - please specify which ones: PBOC Guidelines on Environmental Information Disclosure by Financial Institutions, the CBIRC Guidelines on Green Finance for the Banking and Insurance Industries, the CBIRC Opinions on Strengthening the Social Responsibility of Banking Financial Institutions, the MOF Corporate Sustainability Reporting Standards - Basic Standards (Trial), the MOF Corporate Sustainability Reporting Standards - Basic Standards, the China Banking Association Guidelines on Corporate Social Responsibility for Banking Financial Institutions in China, the Shanghai Stock Exchange Self-Regulation Guidelines for Listed Companies, and the Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide.

☐ None of the above

## Response

## Links and references

Hengfeng Bank takes "Quant-leap to First-tier Digital Agile Bank" as its strategic vision, takes "Towards progress, Towards well-being, Towards beauty" as our mission, takes being an environmentally friendly bank as our goal, and actively explores and adopts green operation measurements. Hengfeng Bank recognizes and gives high regard to the United Nations Sustainable Development Goals (hereinafter referred to as the "SDG"), the Paris Agreement, and China's "Dual Carbon Goal" as well as the high-quality green development concept. We believe our mission and vision are highly aligned with the SDG and the content and spirit of the Paris Agreement. To break down, we believe the strategic alignment is embodied in the following aspects:

Adhering to the development concept of "serving a better life with sincerity and building a beautiful China with professionalism", Hengfeng Bank will continue to increase financial support for the green economy, low-carbon economy, and circular economy, and strive to become a green financial brand bank and climate-friendly financial institution widely recognized by customers and the market. To achieve our goal, the bank formulated the "Implementation Plan for High-quality Development of Green Finance", which clarified the development plan for the next five years, and determined the overall goal of green finance which is "high quality, excellent mechanism, and strong brand".

The head office continued to optimize the green finance management structure in 2024, and incorporate green finance and ESG management structures into the decision-making, management and execution levels. The head office's senior management established a deliberative Green Finance Committee, and meanwhile the head office's corporate finance department established a Green Finance Center. Additionally, the green finance team or dedicated office positions were set up in each branch to ensure efficient coordination from the overall management to the actual implementation.

As for business focus in the green finance area, Hengfeng Bank focused on carbon emission trading, clean energy, green manufacturing, infrastructure upgrades, environmental governance and ecological restoration. Hengfeng also focused on enriching green products and boosting the green economy. The bank achieved a green credit balance of CNY 83.8 billion, an increase of 37.74% from the beginning of the reporting period.

These actions are aligned with the following SDGs:



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Hengfeng Bank has continued to actively promote the digital transformation of operation management, accelerate the green transformation of customer service methods, enrich mobile banking business functions, and optimize product transaction processes. During the reporting period, new systems and technologies including smart warrant cabinets, smart locks, and electronic business licenses were put into production, which further promote paperless, electronic, and intelligent operation business. At the same time, focusing on customer demand, the bank further promoted the construction of mobile banking ecological application scenarios, to improve customer experience. Pay special attention to data security, establish the "Data Security Management Measures" and leverage digital means to effectively protect customer privacy.

The bank has practiced the concept of green operation, implemented green office practices, formulated the "Implementation Rules for Green and Low-carbon Office of Hengfeng Bank," carried out the "Year of Fine Cost Management" series of activities, optimized operational energy management, and practiced green management of business vehicles. At the same time, the bank has encouraged employees to save food, adopt paperless office practices, optimize the use of electricity, water, and office supplies, etc., to reduce energy consumption, and reduce pollutant emissions, thereby creating a strong atmosphere of energy conservation and carbon reduction throughout the bank.

Promoted green procurement management, issued "Procurement Management Measures" and "Supplier Management Measures", and gave priority to the purchase of green, energy-saving and environmentally friendly products on the premise of meeting the usage requirements. Vigorously promote e-commerce procurement, and require e-commerce products to comply with environmental protection certification, energy-saving certification, social responsibility standard certification, etc., and required product packaging materials must comply with environmental protection, degradable, recycling and low-carbon standards.

The above Bank strategy is aligned with the following SDGs.



Hengfeng Bank is fully committed to writing a "The Big Article on Inclusive Finance", focusing on key customer groups, taking digital transformation strategy as the main line, implementing online and offline dual-wheel drive, optimizing and improving the product system, and striving to build an "convenient bank" for inclusive finance services and a "partner bank" for small and micro enterprises. At the management level, the Inclusive Finance and Rural Revitalization Committee is set up

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to dedicate the coordination of the inclusive finance and rural revitalization work of the whole bank. A financing coordination mechanism for small and micro enterprises was established to provide precise support to the development of small and micro enterprises, set differentiated non-performing tolerance indicators, established a supporting guarantee mechanism, and gave internal pricing discounts of 50BP for inclusive small and micro enterprise loans and 75BP for inclusive agricultural loans.

The bank also adheres to the customer-centered approach and works hard to develop the "Aging Finance" business. The bank has launched personal pension business and provided professional pension planning services. The "Yueheng • Suixiang" pension finance has completed brand registration and promoted the Suixiang customer service system throughout the bank, providing customers with exclusive products, benefits and activities, and won the title of "Good Finance" in Shandong Province. At the end of the reporting period, the Bank had served 2.2 million "Suixiang" customers. At the same time, the bank also continuously explored product innovations that are suitable for elderly customer groups, improved aging-friendly service scenarios, and provided elderly financial services with dedication.

In 2024, Hengfeng Bank conducted 5,800 public welfare promotional and educational activities, reaching 157 million people. Meanwhile, through 60 consumer rights protection training sessions, the bank further enhanced the overall employees' consumer rights protection capabilities. In terms of community services, Hengfeng Bank made a public welfare donation of CNY 3.176 million. Throughout 2024, the bank continued to engage in volunteer activities such as voluntary blood donation, supported cultural and sports undertakings, and paid attention to workers in new business forms.

In addition, Hengfeng Bank has established a sound tax management system to ensure the timely and accurate payment of various taxes. In 2024, the group achieved a total tax payment of CNY 3.388 billion, an increase of CNY 210 million compared with the end of the previous year, which marks a growth rate of 6.61%.

The number of female employees and male employees in Hengfeng Bank has remained balanced, and the total number of female employees has exceeded that of male employees for three consecutive years.

The above actions are aligned with the following SDGs:



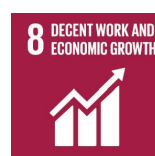
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The Bank attaches great importance to the top-level design of talent work, and has issued the "Hengfeng Bank Cadre and Talent Team Construction Plan (2025-2029)". Empowering employee development, paying attention to employee benefits and welfare, implementing the regular promotion and development mechanism for employees, carrying out regular employee promotion every year, the bank completed the promotion of 1,107 non-management positions during the 2024 reporting period. At the same time, Hengfeng Bank took active measures of employee capacity building, so that the training coverage rate of middle-level and above employees has reached 100%. During the reporting period, a total of 3,555 training sessions of various levels and types were organized, and more than 266,000 people were trained. Focusing on the construction of "Home Culture," the bank enhances employees' sense of belonging and happiness through a variety of employee care activities.

The above actions are aligned with the following SDGs.



Hengfeng Bank's corporate vision has always been to build a digital agile bank and enhance the quality and efficiency of serving the real economy. Focusing on the "Hengfeng Bank Financial Technology Strategic Plan (2022-2025)" and the "Hengfeng Bank Data Strategy Implementation Plan (2022-2025)," the bank has continuously strengthened our top-level design, optimized governance systems, deepened the integration of industry and technology, improved security and risk control systems, and enhanced the efficiency of technology and digital services. During the reporting period, the bank's "Corporate Lending Structure Upgrade and Digital Transformation Project" and "Commercial Bank Data Asset Valuation Practice and On-balance Sheet Exploration" won the third prize of the "Financial Technology

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Development Award" issued by the People's Bank of China.

Hengfeng Bank also supported the transformation and upgrading of the manufacturing industry and helped cultivate and develop new quality productivity. Our bank took serving the high-quality development of the manufacturing industry as a key task, and has continuously enhanced the precision and adaptability of services, and facilitated the high-end, intelligent and green development of the manufacturing industry. By the end of 2024, Hengfeng in total financed CNY146.7 billion yuan for the manufacturing industry, an increase of CNY 26.9 billion compared with the beginning of the year. Hengfeng Bank's outstanding loans to the manufacturing sector reached CNY 83.5 billion, an increase of CNY 12.4 billion from the beginning of the year.

The above actions are aligned with the following SDGs.



Taking the signing of the "Joint Declaration of the Banking Sector to Support Biodiversity Conservation" as an opportunity, Hengfeng Bank took the initiative to undertake the social responsibility of protecting biodiversity, provided financial support for related projects, and promoted harmonious coexistence between man and nature.

During the 2024 reporting period, the Bank helped a Guangdong enterprise issue its first overseas blue bond, and at the same time actively built a "blue finance" engine to drive the "green shipping" transformation.

The above actions are aligned with the following SDGs.



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## 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<sup>1</sup> and fulfil the following requirements/elements (a-d)<sup>2</sup>:

**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.

#### Response

Hengfeng used UNEP FI tool and conducted the impact analysis covering the bank's corporate and personal loans and advances payments in 2024, which accounted for 99.3% of Hengfeng Bank's total outstanding loans volume and 55.65% of our total assets. As one of China's 12 national joint-stock banks, Hengfeng Bank's services and clients are mainly in China in terms of geographical distribution. The bank's portfolio is dominated by traditional commercial bank lending business, while adhering to our development strategies and striving to become a comprehensive financial institution that possesses an "investment bank + commercial bank" and "financing + intellectual integration" business model.

It is worth mentioning that considering the fact that investment banking services and other businesses do not contribute as heavily to our portfolio, and the statistical caliber of the other portion of the portfolio is different from that of lending business. In that sense, our impact analysis will mainly consider our commercial lending business including corporate lending and retail lending.

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<sup>1</sup> That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

<sup>2</sup> Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

**b) Portfolio composition:** Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide the proportional composition of your portfolio globally and per geographical scope

i) by sectors & industries<sup>3</sup> for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolios.

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.

### Response

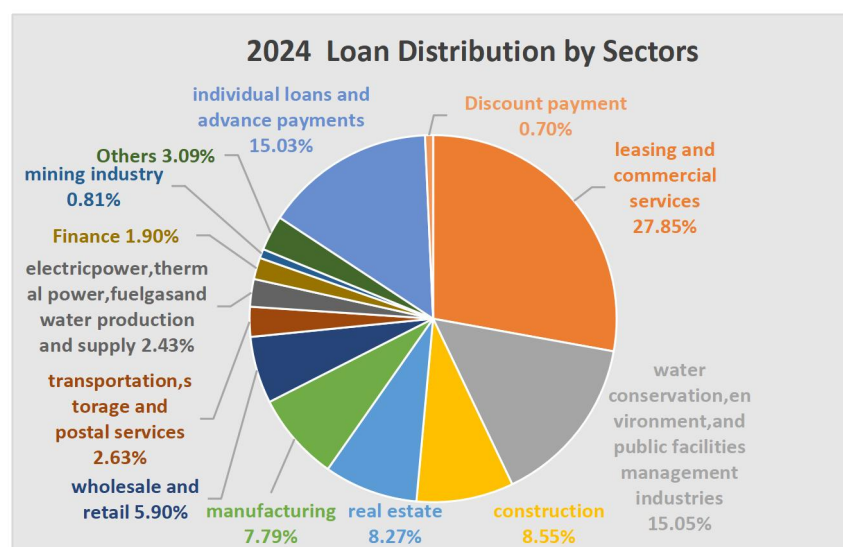
In 2024, the industry distribution of Hengfeng's loans is as follows: the total corporate loans are CNY 725.629 billion

water conservation, environment, and public facilities management industries (15.05%); leasing and commercial services (27.85%); real estate (8.27%), manufacturing (7.79%), wholesale and retail (5.90%); construction (8.55%); electric power, thermal power, fuel gas and water production and supply (2.43%); finance (1.90%); Mining industry (0.81%) and others (3.09%). Individual loans and advance payments totaled CNY 129.450 billion (15.03%), of which 8.58% were housing loans, 3.18% were business loans, 2.89% were consumer loans and 0.38% were credit card loans.

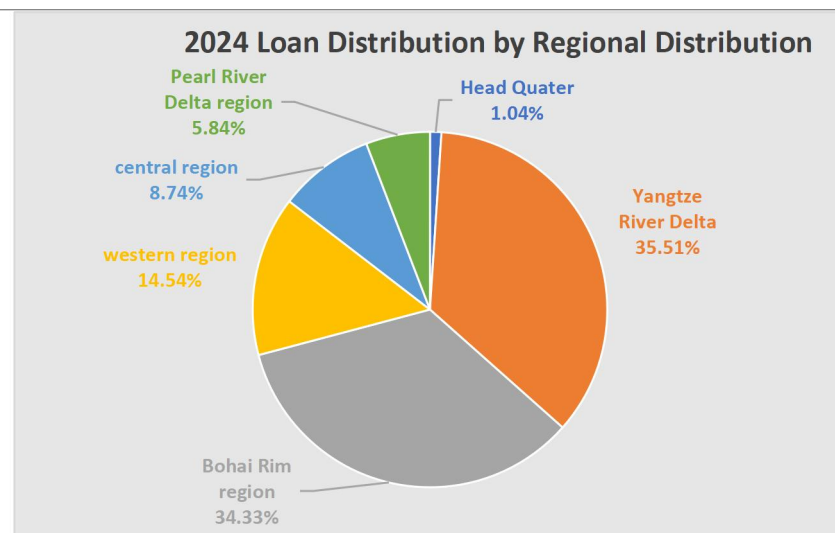
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<sup>3</sup> 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.



The geographic distribution of Hengfeng Bank's corporate loans and advance payments are distributed solely within China. Specifically, the Yangtze River Delta region accounts for 35.51%, the Bohai Rim region accounts for 34.33%, the western region accounts for 14.54%, the central region accounts for 8.74%, and the Pearl River Delta region accounts for 5.84%.

As for non-performing loans (NPLs): If segmented by product type, the NPL rate in 2024 is 1.49% for corporate and 2.40% for personal loans. By region: the NPL ratio in 2024 is 2.56% in the Pearl River Delta region, 0.66% in the Bohai Rim region, 1.64% in the western region, 1.9% in the central region, and 1.94% in the Yangtze River Delta region.

**c) Context:** 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

*This step aims to put your bank's portfolio impacts into the context of society's needs.*

### Response

In considering the challenges and priorities related to sustainable development, Hengfeng Bank takes China's Sustainable Development Strategy and national dual carbon goal as the highest guidance and priority, while integrating the characteristics and structure of the Bank's business, and stakeholders' interests. To properly identify the current context and priorities, the bank has sought input and suggestions from various stakeholders including regulators, shareholders, consumers, industry experts, and related international organizations.

There are four main priorities for sustainable development at the national level: First, according to the "Guiding Opinions on Doing a Good Job in the Five Major Articles of Finance" issued by the General

### Links and references

Office of the State Council, the national strategic priorities at the financial level mainly include five major directions: science and technology finance, green finance, inclusive finance, pension finance and digital finance. Second, the bank will continuously adhere to the concept of "Clean waters and green mountains are as valuable as gold and silver mountains" pointed out in the report of the 20th National Congress. The third priority is to integrate scientific and technological innovation resources, lead the development of strategic emerging industries and future industries, accelerate the formation of new quality productive forces, and promote the high-quality development of the country; fourth, strive to promote the progress of the national "Dual Carbon" goal and strive to achieve the comprehensive green transformation of economic and society development. The above four points are both the current key directions of national sustainable development and are the priorities of Hengfeng Bank.

At the regional development level, the bank's first priority is serving national and regional development strategies. Specifically, as a local bank in Shandong, we are fully committed to supporting Shandong's development by taking the lead and shoulder significant responsibilities. Secondly, the bank focuses on enhancing the quality and efficiency of our science and technology financial services. The third priority is to promote high-quality development of inclusive finance. The fourth priority is to support the upgrading and transformation of the manufacturing industry. The fifth priority is to assist the private economy in becoming stronger, better, and larger. The sixth priority is to support the stable and healthy development of the real estate market. The seventh priority is to serve the high-level opening up to the outside world.

At the same time, Hengfeng Bank actively communicates and collaborates with regulatory authorities, industry peers, and international organizations, including the United Nations Environment Programme. The bank also maintains active engagement with various industry stakeholders through organizing and participating in forums and meetings.

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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)4? Please disclose.

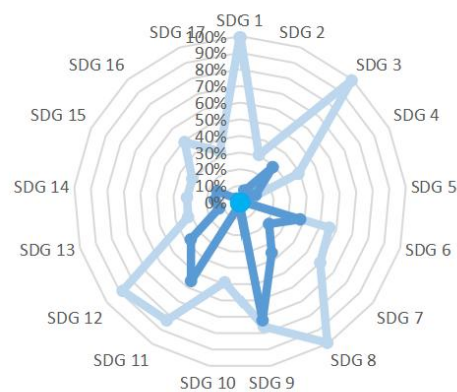
<sup>4</sup> To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

Response:

Links and references

### POSITIVE IMPACTS SDGs

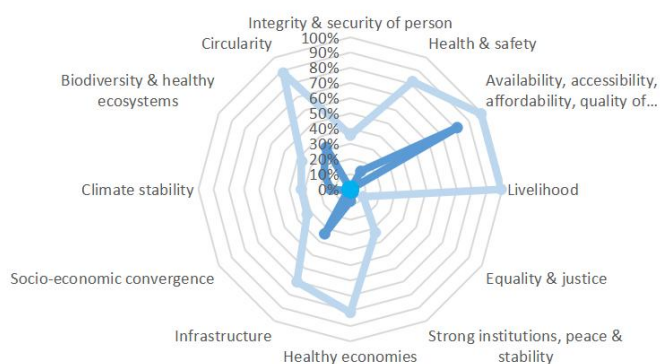
ALL ASSOCIATIONS KEY ASSOCIATIONS COUNTRY PRIORITIES  
LOCAL PRIORITIES SMEs



\*the dots do not represent a value. They only show if a SDG is a priority in the country/locations (based on data in the Context Module).

### POSITIVE IMPACTS Impact areas

ALL ASSOCIATIONS KEY ASSOCIATIONS COUNTRY PRIORITIES  
LOCAL PRIORITIES SMEs



\*the dots do not represent a value. They only show if an impact area is a priority in the

Through the third edition of the UNEP FI impact analysis tool, combined with the bank's 2024 outstanding loans' distribution statistics, the current positive contribution areas of the bank's industry include: availability, accessibility, affordability, quality of resources and services (water, health and sanitation, economy), livelihoods

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(employment, wages, social security), circular economy (resource intensity and waste), health and safety, and healthy economy. The SDG goals involved are mainly: SDG 1 (No Poverty), SDG 3 (Good Health and Well-being), SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable Cities and Communities), etc.

In terms of negative impacts, the Bank's business mainly involves potential negative impacts on sustainable development, including health and safety, livelihoods, circular economy, climate stability, biodiversity and ecosystem health; the key SDG goals that may have potential negative impacts include: SDG 14 (life below water), SDG 16 (peaceful, just and inclusive societies), SDG 6 (clean drinking water and sanitation), etc.

It is important to highlight that discrepancies in statistical caliber exist between our bank's data, which is categorized according to the First-Level Classification of National Economic Activities, and the impact analysis template, which adheres to the ISIC international classification standard. These differences in classification may introduce certain inconsistencies between the impact analysis results and our bank's actual situation.

**d) For these (min. two prioritized impact areas): Performance measurement:** Has your bank identified which sectors & 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.

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&inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

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.

*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.*

## Response

Based on the results of the UNEP FI impact analysis, combined with my country's overall sustainable strategy, our overall policy and the comprehensive conclusions of discussions with stakeholders, our bank will focus on green finance, mainly climate change mitigation, and inclusive finance as important performance measurement and influence areas.

## Links and references



## 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?<sup>5</sup>

Scope:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Portfolio composition:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Context:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> No
Performance measurement:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> In progress	<input type="checkbox"/> 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)

<sup>5</sup> You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.



## 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<sup>6</sup> 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<sup>7</sup> 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	Links and references
<p>Hengfeng Bank implements the overall deployment of the country's "14th Five-Year Plan", attaches great importance to China's concept of "clear water and green mountains are gold hills and silver mountains", actively does a good job in the "five major articles", guides lending resources to areas that are in line with national strategic focus, regulatory requirements and transformation requirements, and gives investment priorities to manufacturing, green finance, technology finance and other real economies. The bank implements the transformation and development strategy, and actively explores new business models such as platform market-oriented transformation, port finance, and auto finance. Hengfeng Bank also responds to the country's call for the development of new quality productive forces and high-quality development, and at the same time, actively implements the bank's strategic vision of "Quant-leap to first-tier digital agile bank" and the mission of "towards progress, towards well-being and towards beauty". The bank actively participates in the United Nations "Principles for Responsible Banking". The bank also embraces the concept of sustainable development and is committed to making positive contributions.</p> <p>Our bank actively responds to and implements China's national "Dual Carbon Goal" and implements the relevant contents of the United Nations Paris Agreement. Our bank attaches importance to green finance, digital transformation, inclusive finance, with a particular focus on agricultural financial support. At the same time, we promote the well-being of the public, focus on pension finance, protect the welfare and rights of employees, and actively participate in community development.</p>	<p>2024 Annual Report Hengfeng Bank Co., Limited. P6-9</p>

<sup>6</sup> Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

<sup>7</sup> Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

The relevant behaviors mentioned above are highly consistent with the United Nations Sustainable Development Goals: SDG 1 (No Poverty), SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 5 (Gender Equality), SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable Clean Energy), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 10 (Reduced Inequalities), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production) , SDG 13 (Climate Action), SDG 16 (Peace, Justice and Strong Institution) and SDG 17 (Partnerships to the Goals).

In terms of target setting, our bank's primary target is to guide the low-carbon transformation of the industry through the vigorous development of green finance and contribute to the implementation of Paris Agreement goals and national "Dual Carbon" goals, which is highly consistent with SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action) of the United Nations Sustainable Development Goals (SDGs).

Since 2023, our bank has set the inclusive finance related indicators as the second performance indicator. Financial inclusion aims to enhance the inclusiveness of the financial system and is highly consistent with SDG 3 (Good Health and Well-being), SDG 10 (Reduced Inequalities) and SDG 16 (Peace, Justice and Strong Institution) in the United Nations Sustainable Development Goals (SDGs).

**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.

<p><b>Response</b></p> <p>In terms of green finance, our bank has selected the carbon emission reduction equivalent to the whole society driven by financial tools (currently mainly taking the amount of Carbon Emission Reduction Facility issued by the People's Bank of China and the green bond's supporting projects to calculate the social carbon emission reduction equivalent driven) as the indicator at the influence level. Additionally, the bank also selected the amount of funds invested in green assets as the indicator at the business level. The bank regularly calculates the amount of carbon emission-related loans invested in the green finance field through tools such as carbon emission reduction facility tools and green bonds, and the resulting social carbon emission reduction equivalent. The bank evaluates the impact of its activities on mitigating climate change through this method, taking the emission reduction driven in 2022 as the baseline.</p> <p>Secondly, based on the current impact analysis of Hengfeng Bank, considering that "availability, accessibility, affordability, resources and service quality" are key factors of the bank's investment portfolio on sustainable development. In order to further exert a positive influence, since last year, Hengfeng Bank has determined to make greater efforts to provide inclusive financial services to customers. The bank takes increasing the accessibility, availability, and affordability of finance as the second influencing indicator. Specifically, the bank takes the growth rate of inclusive loans, the overall average growth rate of other loans, and the total amount of assets held by the bank as the second performance indicator at the business level.</p> <p>Following our previous report, Hengfeng Bank continues to use the following indicators as the "Baseline" to set targets and assess progress:</p> <table border="1"> <tr> <th>Impact area</th> <th>Response</th> </tr> <tr> <td>Climate change</td> <td>Provided CNY 767 million in loans for projects in key areas for carbon emission</td> </tr> </table>	Impact area	Response	Climate change	Provided CNY 767 million in loans for projects in key areas for carbon emission	<p><b>Links and references</b></p>
Impact area	Response				
Climate change	Provided CNY 767 million in loans for projects in key areas for carbon emission				

	mitigation	reduction.	
		Drivd 907,079.40 metric tons of CO2e in carbon emission reduction of the society.	
	Financial health & inclusion	<p>In 2023, the balance of inclusive loans for small and micro-sized entities across the bank increased by 23.69% from the beginning of the year, which is higher than the average growth rate of all other types of loans across the bank.</p> <p>By the end of 2023, the balance of inclusive loans for small and micro-sized entities (the assessment caliber of the State Financial Supervision and Administration) reached 50.33 billion yuan.</p>	

**c) SMART targets** (incl. key performance indicators (KPIs)<sup>8</sup>): 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.

#### Response

Taking into account the national strategy, Hengfeng Bank's internal strategic focus, and the results of the impact analysis, and after comprehensive consideration, the bank has set the following targets for green finance and inclusive finance:

Within three years from the baseline year:

**Green finance:** 1. The total amount of green assets held exceeds CNY 80 billion.

2. Cumulatively drive more than 6 million tons of CO2e emission reduction equivalence to the society through financial instruments.

**Inclusive finance:** 1. The growth rate of inclusive finance loans exceeds the average growth rate of all loans.

2. The balance of financial inclusive loans exceeded CNY 60 billion before 2025.

#### Links and references

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

<sup>8</sup> Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

<p>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><b>Response</b></p> <p><b>Green Finance</b></p> <p>Since the end of the last reporting period, to actively achieve the Bank's green finance and carbon emission reduction targets, Hengfeng optimized its corporate governance structure, and a Green Finance Committee has been established within the senior management office level. During the reporting period, the Board's Strategy and Innovation Development Committee reviewed and discussed ESG-related topics such as green finance, inclusive finance, rural revitalization, consumer rights protection, related-party transaction oversight and management, and public welfare donations, and promoted the implementation of key initiatives.</p> <p>During the reporting period, we focused on green finance practices and successively released policy documents such as the "Implementation Plan for High-Quality Development of Green Finance of Hengfeng Bank," the "Working Procedures of Hengfeng Bank's Green Finance Committee," and the "Evaluation Methods for Hengfeng Bank's Green Finance Pilot Institutions (2024 Edition)." These documents have continuously improved our green finance policy system, providing a solid institutional foundation for the high-quality development of the green finance business.</p> <p>In 2024, Hengfeng further enriched its green products to better support the green economy, including by helping Shenzhen's high-quality state-owned enterprises successfully issue China's first green offshore bonds dual-listed on the Hong Kong and Shenzhen Stock Exchanges. Meanwhile invested in China's first "Common Ground Taxonomy" themed green bond. In addition, the bank also launched its first carbon reduction loan program. At the same time, we strengthened our efforts in green finance, enhanced exchanges and cooperation initiatives, participated in the China-related side event of the 29th United Nations Climate Change Conference (COP29), co-launched the "International Zero Carbon Island Cooperation Initiative," and delivered a keynote speech at the High-level Forum on South-South Cooperation on Climate Change.</p> <p>2024 Hengfeng Bank also took action in financial support for biodiversity and blue finance. Our bank signed the "Joint Declaration on Biodiversity Conservation by Banking and Financial Institutions" to proactively assume the social responsibility of protecting biodiversity. The bank also assisted enterprises in Guangdong Province in issuing their first overseas blue bonds, striving to develop blue finance</p>	<p><b>Links and references</b></p> <p>Environmental, Social and Governance (ESG) Report of Hengfeng Bank Co., Limited (2024) P39-48</p> <p>Environmental, Social</p>

businesses and to support the sustainable development of the oceans. Finally, in terms of capacity building, Hengfeng Bank held green finance training, offering both online and offline training for nearly 18,000 participating employees. The bank also conducted four sessions of specialized green finance training, involving 240 managers and account managers from the bank's branches.

### Inclusive Finance

At the level of inclusive finance, the Bank has established a Committee for Inclusive Finance and Rural Revitalization at the management level to coordinate the Bank's efforts in inclusive finance and rural revitalization. The Bank has also established a financing coordination mechanism for small and micro-sized enterprises to provide precise support for their development. Additionally, the Bank has improved the due diligence exemption mechanism for inclusive credit and set differentiated non-performing tolerance levels for inclusive credit. Regarding support and guarantees, the Bank has included the transformation of small and micro enterprises in routine assessments, and increased the proportion of rural revitalization business in KPI assessments. The Bank has separately outlined credit plans for inclusive small and micro enterprises and inclusive agricultural loans, and has provided internal transfer pricing discounts of 50 basis points (BP) for inclusive small and micro enterprise loans, and 75 BP for inclusive agricultural loans. At the same time, the Bank also adhered to an online-offline integration approach, deeply understood customer needs, and developed distinctive inclusive finance products.

The Bank has always adhered to the concept of inclusive finance development, focused on the objectives of "maintaining volume, stabilizing prices, and optimizing structure," and significantly enhanced the quality and efficiency of financial services to support the comprehensive revitalization of rural areas. During the reporting period, the Bank's small and micro-sized enterprise (SME) loans grew by 27%, achieving the "two increases" targets. The Bank's inclusive agriculture-related loans grew by 19%, which is 12 percentage points higher than the growth rate of all loans of the bank.

As for pension finance, during the reporting period of 2024, the bank developed and released the "Implementation Plan for the High-Quality Development of Pension Finance," which clarified the bank's overall strategy for pension finance, its development goals for the next five years, and 27 specific measures in six categories to promote the construction of a value chain for large-scale circulation in pension finance. Building "Hengai Home" is a supporting project created by the bank, providing age-friendly and distinctive thoughtful services for elderly customer groups, social workers, infants, and young children. As of the end of the reporting period, the bank has built 102 "Hengai Home" branches, with 25 under construction. Among them, the Xi'an Branch leveraged the convenience facilities of its business outlets to build 17 "Hengai Home" worker stations, achieving full coverage of

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sub-branches in Xi'an. One of these stations was recognized as the "most beautiful station" by the All-China Federation of Trade Unions, and four were designated as Shaanxi provincial-level demonstration stations.

Focusing on private sector enterprises, Hengfeng Bank established a team for promoting the private sector economy, formulated specialized action plans tailored to the specific needs of private enterprises, and launched special products such as Hengyin E Chain (a digital supply chain finance product) to provide a suite of services for the private economy. During the reporting period, a total of 3,895 private enterprises were financed with a total financing amount of 6.7 billion yuan, effectively alleviating the pain points and bottlenecks related to difficult, slow, and expensive financing for upstream and downstream enterprises of core enterprises.

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

The way Hengfeng Bank measures the yearly progress is strictly in accordance with the requirements of the Notice of the People's Bank of China, and the relevant statistics and disclosure work are subject to public supervision.

As of the issuance date of the report, the bank has cumulatively supported a total of 3 clean energy projects that comply with the People's Bank of China's Carbon Emission Reduction Facility (CERF) during 2024. Hengfeng Bank issued a total of CNY 398.18 million in loans for these projects, driving an annual carbon emission reduction equivalent to 60,154.41 tons of CO<sub>2</sub>, marking an 83% increase from the previous year. Since receiving support through the CERF tool, the bank has supported 15 low-carbon projects with total loan issuance of CNY 1.42 billion, driving an annual carbon emission reduction equivalent to 1.03 million tons.

In terms of green bonds, the bank issued its first green financial bond in 2023. In 2024, this bond is in the continuation period. According to the third-party verification report, the overall environmental benefits generated by the green projects during the reporting period in 2024 are as follows: The projects that can be quantitatively measured for environmental benefits can achieve an annual saving of at least 1.28 million tons of standard coal and drive a social carbon dioxide emission reduction of 2.52 million tons.

In other aspects, as of the end of the reporting period in 2024, the balance of our bank's green loan was CNY 83.8 billion, with a growth rate of the balance of 37.74%. The balance of green bond investment of our bank was CNY 11.4 billion, an increase of 26% compared to the beginning of the year. The total amount of green bonds underwritten was CNY 2.52 billion, an increase of 78% compared to the beginning of the year. The balance of green bond investment of Hengfeng Financial Management Company's wealth management products in 2024 totaled CNY 2.9 billion, an increase of 15% compared to the

### Links and references

Hengfeng Bank Co., LTD. Second quarter 2024 Carbon Emission Reduction Facility (CERF) information disclosure report

Assurance report on the use of funds raised by Green Finance Bonds of Hengfeng Bank Co., Limited P16

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beginning of the year.

In terms of inclusive finance, the Bank has always adhered to the concept of inclusive finance development, focused on the objectives of "maintaining volume, stabilizing prices, and optimizing structure," and made great effort to excel in inclusive finance. During the reporting period, the balance of small and micro-sized enterprise (SME) loans of the Group was CNY 166.9 billion, an increase of CNY 35.1 billion from the beginning of the year, representing a 26.62% increase. Among them, the balance of inclusive SME loans was 60.2 billion yuan, an increase of 6.5 billion from the beginning of the year, representing a 12.10% increase, with 39,191 customers and an average loan interest rate of 3.87%. At the same time, the balance of inclusive agriculture-related loans of the Bank was 14.9 billion yuan, with a 13.26% increase.

Overall, Hengfeng Bank is progressing well towards our impact targets in 2024. In terms of inclusive finance, the combined balance of the bank's inclusive small and micro-sized enterprise (SME) loans and inclusive agriculture-related loans has exceeded CNY 60 billion. Moreover, the growth rate of inclusive agriculture-related loans and inclusive SME loans in 2024 has outpaced the average growth rate of all types of loans across the bank.

In terms of green finance, the balance of Hengfeng Bank's green assets has exceeded CNY 80 billion, achieving the target ahead of schedule. The additional social carbon emission reduction figures are shown in the table below:

	Carbon Emission Reduction Supported by Carbon Reduction Support Tool	Carbon Emission Reduction Supported by Green Bonds
2023	0.0328 million tons	3.30 million tons
2024	0.0602 million tons	2.52 million tons
<b>Total</b>	<b>0.093</b> million tons	<b>5.82</b> million tons

Overall, Hengfeng Bank has been making smooth and good progress towards its set influence goals. Hengfeng Bank will continue to monitor the progress of the influence goals it has set.

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## 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<sup>9</sup> 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<sup>10</sup>. 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

The sustainable actions that Hengfeng Bank encouraged customers to implement in 2024 include the following:

We are committed to supporting the private sector's economy. We focus on addressing the core pain points and difficulties faced by our customers and actively provide financial support to promote the healthy development of the private sector and the strengthening, optimization, and expansion of the private enterprises. During the reporting period, we launched a supply chain financial product. Its innovative solution enabled enterprises along the supply chain to obtain financing conveniently through online and intelligent services, without the need for collateral or guarantees. Our efforts have yielded significant results. We have provided financing to 3,895 private enterprises, with a total financing amount of CNY 6.7 billion. This has effectively alleviated the pain points and bottlenecks of "difficult, slow, and expensive" financing for upstream and downstream enterprises in the supply chain,

#### Links and references

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<sup>10</sup> Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

significantly improving their operational efficiency and financial health.

In the realm of green finance, Hengfeng Bank collaborated closely with clients to enhance their ESG risk management throughout the entire process. The bank refined its comprehensive ESG risk management system and enhanced its capabilities in this area. Additionally, Hengfeng Bank actively communicated with clients and launched five innovative series of green financial products. During the reporting period, Hengfeng Bank implemented the central bank's policies on CERF, actively promoting the large-scale implementation of carbon reduction loan projects and fully utilizing these tools. Besides, the bank launched the first intellectual property-linked water-saving loan in the country and the first green financial project loan for charging stations. These initiatives marked significant milestones in the bank's commitment to supporting green development.

Hengfeng Bank also continued to promote green practices by engaging employees and customers in environmental actions. Embodying the concept of low carbon through concrete measures, the bank continued to make efforts to promote society towards a sustainable future. For instance, the bank organized signature campaigns for World Earth Day. The Nanjing branch hosted creative environmental art contests, inspiring artistic expression that highlights sustainability. The Beijing branch conducted the "We are with the Greens" volunteer service activities, fostering community engagement. Meanwhile, the Shenzhen branch carried out the "Planting with Persistence, Building the Future Together" theme practice activities, emphasizing the importance of consistent effort in environmental protection.

In terms of product and service offerings, Hengfeng Bank developed a standardized financial inclusion product system by integrating offline and online approaches. We implemented the bank-guarantee direct connection model for agricultural warehouse receipt financing loans, with the loan amount exceeding CNY 90 million. This initiative enabled the digital operation of bank-guarantee business in four key agricultural-related scenarios. To support the development of new rural business models, the bank upgraded its products by leveraging the "good business and fast loan" digital credit platform. We created an online automated approval product called 'E-commerce Loan,' which has been successfully piloted and promoted in the county's rural e-commerce industry cluster. The cumulative loan disbursement for this product exceeded CNY 50 million.

Besides, Hengfeng has made great efforts to facilitate payment convenience, attached great importance to optimizing payment services, and effectively improved the payment service experience of groups such as the elderly and foreigners visiting China. During the reporting period, more than 66,000 e-wallets were distributed; 14 foreign currency exchange points were set up; all 630 ATMs in the bank started to support foreign card cash withdrawal functions, realizing a 100% coverage rate.

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Finally, focusing on pension financial services, Hengfeng Bank actively promoted the innovation of pension financial service models and continuously explored service systems that are suitable for elderly customers. We strived to improve aging-friendly scenarios by centering our efforts on customer demand. Centering on customers, we have been trying to excel in "the major initiative in pension finance". In this regard, we launched a personal pension business to provide professional pension planning services. Our "Yueheng Suixiang" pension financial brand completed trademark registration and was promoted throughout the bank. The Suixiang customer service system offered customers exclusive products, benefits, and activities. This initiative was recognized with the title of "Good Product Finance" in Shandong Province. By the end of the reporting period, the Bank had served 2.2 million "Suixiang" customers. Additionally, the Bank's Xi'an Branch established the first "Suixiang • Pension Finance" innovation studio to further explore financial services for Suixiang customers. We launched the "Hengai Home" people-oriented project, which provided thoughtful, aging-friendly, and featured services for elderly customers, social workers, infants, and young children. As of the end of the reporting period, the Bank had built 102 "Hengai Home" outlets, with another 25 under construction.

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### 3.2 Business opportunities

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

#### Response

At the strategic level, the Bank actively implemented the spirit of the Central Financial Work Conference. We adopted green finance as the Bank's overall development strategy and formulated the "Implementation Plan for the High-Quality Development of Green Finance." This plan clarifies the development roadmap for the next five years and outlines specific goals and measures to achieve them. In response to changes in the macroeconomic environment, the trend towards carbon neutrality, and the growing demand for diversified low-carbon services from customers, the bank dynamically optimized its green finance management structure. This optimization ensures that the Bank remains agile and responsive to emerging challenges and opportunities in the green finance sector.

During the reporting period, Hengfeng Bank launched a green credit intelligent identification system, enhancing the efficiency of green business recognition and the overall capability of green financial services. Seizing the business opportunities brought by the development of the national carbon trading market, the Bank focused on carbon trading and provided financing products linked to carbon emissions, carbon trading, or energy efficiency loans. We also introduced carbon

#### Links and references

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finance solutions to encourage and guide the prioritized allocation of limited resources towards green and low-carbon sectors.

In terms of product innovation, the Bank continuously explored product innovation in the fields of green and sustainable finance. For example, during the reporting period, we served customers and implemented the first intellectual property-linked water-saving loan in the country, as well as the first green financial project loan for charging stations. The Bank also developed the "Hengrong E" series of digital supply chain financial products and supported a high-quality state-owned enterprise in Shenzhen in successfully issuing the first green offshore bond listed on both the Hong Kong Stock Exchange and the Shenzhen Stock Exchange.

While focusing on green finance, the Bank also seized the development opportunities in blue finance. It created a "blue finance" engine to drive the transformation of "green shipping." In 2024, the Bank's Fuzhou Branch issued a guarantee of US\$ 20.72 million to Xiamen Shipbuilding Heavy Industry Co., Ltd for green shipping. This initiative opened up integration channels for our bank's corporate customers in both domestic and overseas shipbuilding fields and provided unique financing channels for the domestic equipment manufacturing industry to "go global." We also actively integrated into the coordinated development of the Guangdong-Hong Kong-Macao region. Hengfeng Bank continued to increase resource investment and provide differentiated policy support to promote the high-quality development of the Guangdong-Hong Kong-Macao Greater Bay Area. Through bond investment, the Bank's Shenzhen Branch helped Maoming Port Group Co., Ltd. successfully issue 2024 offshore RMB bonds. This marked the first corporate offshore blue bond in Guangdong Province and the first offshore RMB green bond in Maoming City. The funds raised shall primarily be used for port infrastructure construction, supporting the high-quality development of clean energy and green transportation.

Finally, at the private sector level, we launched the "Hengyin E-Chain" supply chain financial product. This innovative solution enables chain enterprises to obtain financing conveniently without the need for mortgages or guarantees. The entire process, from online and intelligent financing applications to credit approvals and financing issuance, is streamlined and efficient. During the reporting period, we provided financing to 3,895 private enterprises, with a total financing amount of 6.7 billion yuan. This initiative has effectively supported the development of private enterprises by providing them with accessible and efficient financial services.

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## 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<sup>11</sup>) 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

Hengfeng Bank attaches great importance to stakeholder communication. We have actively expanded communication channels, and fully listen to the opinions and suggestions from stakeholders. Our major stakeholders are identified as governments and regulators, shareholders and investors, customers and employees, suppliers and partners, the environment and society. In response to the different expectations and demands from stakeholders, our bank has effective communication channels and strived to provide timely response and measures.

During the 2024 reporting period, our stakeholder communication measures could be summarized as follows:

**With the government and regulatory agencies:** Hengfeng Bank has maintained close communication with the government and regulatory agencies through daily approval and supervision, regular statistical reporting, and the release of regular reports and information announcements. This ensures that our bank remains aligned with regulatory requirements and can respond promptly to any changes in the regulatory environment. In support of national strategies and regional development, Hengfeng Bank actively studies and implements work instructions. Internally, our bank has implemented regulatory policies and supported the formulation of industry policies. We continued to

#### Links and references

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<sup>11</sup> Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations



strengthen internal control and compliance management, implement comprehensive risk management, and reinforce anti-corruption and anti-money laundering measures. These initiatives mentioned above help to ensure the Bank's stability and integrity in its operations.

**With shareholders and investors:** Hengfeng Bank is committed to providing timely, accurate, and comprehensive information disclosure. We establish and maintain good relations with investors and protect shareholders' rights and interests through various activities, including shareholder meetings, roadshows, and investor exchanges. These efforts ensure that shareholders and investors are well-informed and engaged in our bank's operations. At the same time, Hengfeng Bank during the 2024 reporting period continued to promote sound operations and improve its corporate governance system. We also strengthened information disclosure to meet investor demand and maintain good relations. By doing so, Hengfeng Bank has ensured transparency and has built trust with its stakeholders, contributing to long-term stability and growth.

**Customers:** Hengfeng Bank has maintained close contact with customers through a variety of channels, including daily service communication, customer satisfaction surveys, the 95395 customer service platform, offline customer theme activities, and a customer complaint handling mechanism. We have actively communicated with customers and consumers, proceeding with green financial product and mode innovation. The Bank has been aiming to provide agile and efficient services, improve service capabilities through innovative products, and protect consumer rights at the same time. Additionally, our bank has focused on the needs of special groups such as private enterprises and the elderly, and improved the customer service experience and safeguarded the legitimate rights and interests of customers by strengthening the standardization of outlets, improving the level of intelligent services at outlets, creating "Hengai Home," and optimizing online services such as remote banking services.

**Employee:** Hengfeng Bank has effectively communicated with its employees through staff congresses, regular training, cultural and sports activities, brainstorming platforms, and supporting mechanisms for employees in need. The Bank has addressed employee's needs by safeguarding their legitimate rights and interests, enhancing the talent training system, establishing a fair promotion system, and paying close attention to their work, life, and physical and mental health. Our bank has also actively promoted the concept of a green office, encouraging employees to voluntarily save resources such as food, paper, electricity, and water, thereby reducing energy consumption and waste emissions. These initiatives have fostered a strong atmosphere of energy conservation and carbon reduction throughout the bank. Key measures include optimizing energy management, implementing paperless digital offices, promoting waste sorting and recycling, encouraging food-saving actions, and ensuring the green management of official vehicles.

**Supplier management:** Hengfeng Bank has maintained close cooperation with suppliers and partners through business cooperation,

industry seminars, supply-and-demand matchmaking discussions, and bidding and tendering activities. In addition, we have established a fair, just, and open procurement mechanism to ensure the transparency of the procurement process. We continuously improve the procurement system and enhance supplier management. In terms of green and low-carbon practices, our "Procurement Management Measures" and "Supplier Management Measures" clearly promote the concept of green procurement. We encourage the procurement of domestic products and prioritize the purchase of green, energy-saving, and environmentally friendly products, under the condition that the products meet the usage requirements.

**Environment:** The environmental needs and corporate responsibilities identified by our bank include paying attention to climate change, developing green finance, practicing green operations, and supporting the national development of a green and low-carbon economy. Based on these needs, our bank has adopted a dual approach in both external and internal communications. Externally, we have engaged with stakeholders through environmental information disclosure, business pricing strategies, green public welfare initiatives, and green finance publicity campaigns. We have also actively held and participated in relevant meetings and forums to foster dialogue and collaboration. Internally, we strengthened ESG management and enriched green financial products and services. We also adhered to green office practices and green operations, and elevated green finance to a strategic priority to support the development of green industries.

**Community:** Hengfeng Bank has maintained active interaction with the community through participation in community construction, public welfare, charity activities, volunteer services, and financial knowledge capacity building. The Bank has repeatedly held financial service popularization activities, organized volunteer activities, and taken other measures to care for vulnerable groups, improve people's livelihood and welfare, and maintain good community relations with all stakeholders.

Hengfeng Bank is fully aware of the importance of maintaining close communication with all stakeholders. Through a variety of communication channels and methods, we have actively listened to and responded to the expectations and demands of all parties. By doing so we aim to ensure that the interests of all stakeholders are fully considered in our ESG (environmental, social, and corporate governance) work, thereby promoting sustainable development.

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# 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

Our bank closely follows the national green development strategy and thoroughly implements the requirements of green finance policies and regulations. In response to changes in the macroeconomic environment, the trend towards carbon neutrality, and the diversified low-carbon service needs of customers, we have continued to dynamically optimize the construction of our green finance management structure.

Compared with 2023, in 2024, our bank established a Green Finance Committee under the senior management. This committee is primarily responsible for studying and reviewing the bank's green finance-related matters and for coordinating and promoting the bank's green finance-related work. Additionally, our bank has gradually embedded the governance structure advocated by the Principles for Responsible Banking, starting from the board of directors and extending through senior management.

### Board of Directors

The Board of Directors is responsible for formulating ESG strategies, reviewing and deciding on ESG issues, and coordinating and promoting the ESG work of the entire bank. During the reporting period, the Strategy and Innovation Development Committee of the Board of Directors listened to and reviewed ESG-related issues, including green finance, inclusive finance, rural revitalization, consumer rights

### Links and references

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protection, related-party transaction supervision and management, and public welfare donations. The Committee also promoted the implementation of important matters.

### Senior Management

The senior management, acting as the executive body of the bank, is accountable to the Board of Directors and is supervised by the Board of Supervisors. During the reporting period, the senior management held 17 meetings to discuss and deliberate on key issues. These included the "five major articles," serving major national strategies, supporting the real economy, managing risks and internal controls, protecting consumer rights, budget performance management, and technological operations.

### Board of supervisors

The Board of Supervisors continued to enhance the foresight, professionalism, and effectiveness of its supervisory work, striving to play a constructive role. During the reporting period, the Bank convened 9 meetings of the Board of Supervisors. During these meetings, 31 proposals were reviewed and approved, 35 dedicated reports were heard, and 34 reference materials were provided. The Board also reviewed and discussed a range of topics, including performance evaluation, regular reports, risk management, internal control and compliance, development planning, consumer rights protection, internal audit, regulatory notifications, and rectifications. These activities covered contents including performance supervision, financial supervision, risk management supervision, internal control supervision, strategic supervision, and the Board of Supervisors' own construction.

## 5.2 Promoting a culture of responsible banking:

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).

### Response

As one of the earliest national joint-stock commercial banks to sign the Principles for Responsible Banking, Hengfeng has actively engaged in various activities organized by the United Nations Environment Programme, including the Principles for Responsible Banking meeting. Hengfeng Bank has also participated in academic seminars and experience-sharing sessions, learning from international best practices while sharing its own relevant experiences. Some of the key measures and initiatives are listed below:

### Training and communication:

In the area of green finance, we organized a special green finance

### Links and references

training month, offering both online and offline training sessions to nearly 18 thousand participants. Additionally, the Bank conducted four specialized green finance training sessions, involving 240 managers and account managers from local branches.

In terms of inclusive finance, we continued to promote standardized training for branch services and guided grassroots branches, branches, and employees to firmly establish a "customer-centric" quality service value. We also made efforts in promoting and popularizing financial knowledge. During the reporting period, the Hengfeng Bank carefully organized and carried out concentrated financial knowledge promotion and popularization activities, including the "3.15" Financial Consumer Rights Protection Education and Publicity Campaign, the "Financial Knowledge Popularization Thousand Miles Tour," and the "Financial Education Promotion Month." We conducted over 5,800 publicity activities of various types, benefiting more than 157 million consumers. These activities were reported by various media more than 860 times.

In addition, to protect the rights and interests of consumers, during 2024 Hengfeng Bank conducted comprehensive training in several key areas, including consumer protection, customer privacy protection, business continuity, and anti-money laundering. These efforts aimed to enhance consumer service protection.

#### **Incorporate performance management.**

In the 2024 performance evaluation plan for the entire bank, a transformation quality and efficiency coefficient adjustment mechanism has been introduced. This mechanism adjusts the KPI scores of each branch based on the completion of key businesses, such as science and technology financial loans, according to their respective weights. Additionally, FTP pricing discounts are applied to high-quality manufacturing loans, (including those defined as "Specialized, Refined, Unique, and Innovative" projects), across the bank. The transformation of small and micro enterprises is now included in the line assessment, with a weight of over 10%. The proportion of rural revitalization business in the KPI assessment has also been increased. The bank has separately listed credit plans for inclusive small and micro enterprises and inclusive agricultural loans. Inclusive small and micro enterprise loans receive a 50BP internal transfer pricing discount, while inclusive agricultural loans receive a 75BP discount. Furthermore, a working group has been established to promote services for the private economy, overseeing the bank's overall efforts in this area. Private sector enterprises loan-issuance are now included in the KPI assessment of first-level branches, with evaluations based on three dimensions: the increase in loan volume, the growth rate, and the increase in the proportion of such loans. This approach aims to enhance the focus of operating units on private enterprise lending.

#### **Anti-corruption:**

Hengfeng Bank has intensified its efforts in rectifying work style,

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discipline, and corruption. We have continued to strengthen the investigation and handling of disciplinary and illegal cases. The Bank has also deepened the special rectification campaign against the malpractice of "Consuming enterprises by relying on enterprises." Additionally, we conducted research-based supervision in key areas and departments where problems are concentrated. Hengfeng Bank has adhered to a dual approach of launching investigations and promoting reforms simultaneously. It has improved and perfected the "one book, two lists, two reports, and one suggestion" mechanism, thereby forming a closed-loop work system of "proposing suggestions, implementing rectifications, and supervising governance."

#### **Anti-Money Laundering:**

Hengfeng Bank implemented the anti-money laundering (AML) data quality improvement project and optimized the construction of the AML information system. Additionally, we built an AML education base, established a standardized AML publicity work mechanism, organized AML skills labor competitions and special AML training sessions, and created a good atmosphere where "everyone is responsible for anti-money laundering." During the reporting period, Hengfeng Bank was honored with the "2023 Shandong Province Voluntary Institutions Anti-Money Laundering Work Outstanding Group" award and the "Outstanding Organization Award" in the 4th Anti-Illegal Fund Raising Theme Collection Activity.

#### **Employee behavior management:**

Hengfeng Bank has continued to deepen the "offline grid-based, online intelligent base" employee behavior management system. We invested in the employee behavior management module, and fully implemented the grid management mechanism, to include all bank employees within the monitoring scope. We also continuously optimized and improved the employee abnormal behavior monitoring model, organized and conducted inspections of employee abnormal behavior, and prevented risks arising from improper employee behavior. Additionally, we issued employee behavior management policies and systems, as well as case compilations, conducted special training on employee behavior management, and have continuously enhanced employee compliance awareness.

#### **Compliance culture construction:**

Our bank launched a series of activities for the "Year of Enhancing Constant Compliance Culture" to deeply integrate compliance culture with Chinese-style financial culture. We organized a concentrated learning month activity titled "Compliance Escort," which attracted over 6,800 participants. To enhance the compliance awareness of all employees, we produced five short videos promoting Chinese-specific financial culture. We also created journals such as "Compliance Express" and "Compliance Hotspot Analysis" to promote management improvement. Additionally, we conducted accountability warning



education, compiled and reported typical violation accountability cases, and fully leveraged the warning role of "people around" and "things around" to all cadres and employees of the bank.

#### **Institutional construction:**

During the reporting period, the Bank focused on green finance practices and successively issued several key institutional documents, including the Implementation Plan for the High-Quality Development of Green Finance of Hengfeng Bank, the Working Procedures of the Green Finance Committee of Hengfeng Bank, and the Assessment Methods for the Demonstration Institutions of Green Finance of Hengfeng Bank (2024 Edition). These efforts have continuously improved the green finance policy system, laying a solid institutional foundation for the high-quality development of green finance business. At the same time, the Bank has paid close attention to protecting customer privacy. Based on the Hengfeng Bank Personal Information Protection Management Measures as the framework, the Bank has continued to improve the personal information protection system, covering other key control areas as supplements. The Bank has strengthened the management of the entire life cycle of personal information processing, established a personal information protection review and control mechanism, and a privacy protection management mechanism. It has also optimized the privacy policy for personal information protection in products and services and improved the employee rights protection system. Additionally, the Bank has constructed a "library-style" intelligent system management model to achieve system management throughout the entire life cycle, making system management more convenient and efficient.

#### **Senior management training:**

During the reporting period, the directors of Hengfeng Bank participated in a variety of activities to proactively enhance their professional capabilities. These included lectures on the interpretation of the new corporate law, special lectures on the development of artificial intelligence in China, and specialized training on intelligent and high-end manufacturing for enterprises in Shandong Province. The directors also conducted multiple branch surveys and special seminars, focusing on key areas such as the implementation of major central government decisions and deployments, serving the real economy, promoting high-quality development, and "preventing risks and promoting development." These activities provided a solid basis and important support for the scientific decision-making of the Board of Directors.

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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?<sup>12</sup> 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.

### *Response*

Hengfeng Bank has implemented comprehensive risk management, constructs an intelligent risk control system, enforces energy conservation and emission reduction policies, and strengthens ESG management.

The specific measures for 2024 are as follows:

During the reporting period of 2024, the Bank actively promoted the construction of a comprehensive risk management system. We incorporated new risks, such as ESG risk and model risk, into this system and established a panoramic, penetrating, and forward-looking risk management perspective. Hengfeng Bank also issued the "Energy Bank Environmental, Social, and Governance Risk Management Measures," which enhanced ESG full-process risk management requirements. These requirements cover customer access, due diligence, compliance review, credit approval, contract management, fund disbursement management, and post-loan and post-investment management. Through these measures, the Bank gradually improved its ESG comprehensive risk management system and enhanced its ESG risk management capabilities.

The ESG risk management system was launched to create a digital risk management platform for green finance. By collaborating with third-party data providers, Hengfeng Bank fully utilized multi-dimensional big data on corporate environmental, social, and governance performance. These measures enabled customer risk classification management and dynamic monitoring and evaluation. The evaluation results served as an important basis for customer rating, credit access, management, and exit.

Hengfeng Bank has established an enterprise-level internal control and compliance digital management platform that covers twelve functional modules. This platform fully integrates the online and digital management of the entire process, including "system, process, inspection, rectification, and accountability." This platform also established multi-dimensional compliance portraits of employees and institutions, providing compliance decision-making support for managers at all levels.

### *Links and references*

Environmental, Social and Governance (ESG) Report of Hengfeng Bank Co., Limited (2024) P83-84

<sup>12</sup> Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

## 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 ☐ 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.

#### Response

Our annual report (2024 Annual Report of Hengfeng Bank Co., LTD) and the Assurance report on the use of funds raised by Green Finance Bonds of Hengfeng Bank Co., LTD were assured by independent assurers.

#### Links and references

### 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☒ GRI  
☐ SASB  
☐ CDP

- ☐ IFRS Sustainability Disclosure Standards (to be published)
- ☐ TCFD
- ☐ Other: ....

### 6.3 Outlook

What are the next steps your bank will undertake in the next 12 month-reporting period (particularly on impact analysis<sup>13</sup>, target setting<sup>14</sup> and governance structure for implementing the PRB)? Please describe briefly.

#### *Response*

Hengfeng Bank will continue to strive to achieve its goals in green finance and inclusive finance, contributing to sustainable social development. Specifically, Hengfeng Bank will focus on the top-level design and planning, enhance macro-coordination, and improve the top-level design of green finance. It will accelerate institutional development and comprehensively build a green financial system. The Bank will focus on key areas, clarify the positioning of the green financial market, improve the product system, and enhance comprehensive financial service capabilities. It will also strengthen risk awareness, improve green financial risk control, enrich supporting resources, build a green organizational support system, optimize resource allocation, improve green assessment and incentive mechanisms, strengthen training and promotion, and accelerate the construction of a green financial brand.

#### *Links and references*

Hengfeng Bank issued the Green Finance Development of Hengfeng Bank Opinions (2021-2025) Notice P1-17

<sup>13</sup> For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

<sup>14</sup> For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

## 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 checked="" 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"/> Conducting an impact analysis   | <input type="checkbox"/> Data quality                    |
| <input checked="" type="checkbox"/> Assessing negative environmental and social impacts        | <input type="checkbox"/> Access to resources             |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting                       |
| <input type="checkbox"/> Setting targets   | <input type="checkbox"/> Assurance                       |
| <input type="checkbox"/> Other: ...  | <input type="checkbox"/> Prioritizing actions internally |

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