

Shanghai Rural Commercial Bank Co., Ltd.

2022 Environmental Information Disclosure

Report

08, 2023

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About This Report

Reporting boundary

Organizational boundary: This Report focuses on SHRCB, and part of it covers Yangtze United Financial Leasing Co., Ltd. established by SHRCB.

Time range: January 1, 2022 to December 31, 2022. Part of the report goes beyond this period to enhance comparability and prospectiveness.

Reporting cycle

This Report is an annual report.

Preparation basis

This Report is prepared in accordance with the disclosure requirements of the *Guidelines on Environmental Information Disclosure for Financial Institutions* (JR/T 0227-2021) issued by the Technical Committee on Financial Standardization of the People's Bank of China (PBoC) and refers to the disclosure framework recommendations from the *Recommendations of the Task Force on Climate-related Financial Disclosures* of the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

About the data

The information and data disclosed in this Report are mostly from SHRCB's internal documents or relevant statistics. All monetary amounts mentioned in the Report are presented in RMB unless otherwise stated.

Disclosure principles

This Report upholds the principles of authenticity, timeliness, consistency, and continuity to ensure accurate information disclosure.

Reference Guide

For the convenience of presentation, "Shanghai Rural Commercial Bank Co., Ltd." is referred to as "SHRCB" or the "Bank" or "we/us". "Yangtze United Financial Leasing Co., Ltd." is referred to as "Yangtze Financial Leasing" in the Report.

Release form

This Report is prepared in both Chinese and English. In case of discrepancies between the Chinese and English versions, the Chinese version shall prevail. This Report is published in the electronic form and can be browsed and downloaded from our official website (www.shrcb.com).

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01 Overview of the Year

1.1 About SHRCB

Shanghai Rural Commercial Bank Co., Ltd. (also referred to as “SHRCB” or “we/us”), founded on August 25, 2005, is a state-controlled corporate bank based in Shanghai, and also is China’s first provincial commercial bank born from the joint-stock reform of rural credit cooperatives. On August 19, 2021, SHRCB entered the A-share capital market and became a listed company on the main board of the Shanghai Stock Exchange (SSE) (stock abbreviation: 沪农商行; stock code: 601825). SHRCB has a registered capital of RMB 9.644 billion, nearly 370 business outlets, and over 9,000 employees.

Inheriting the more than 70-year history of Shanghai Rural Credit Cooperative, we work toward the mission “Inclusive Finance Delivers Better Life.” We are rooted in the metropolis and collaborate with all sectors to provide businesses and individuals with comprehensive and integrated financial services. We concentrate on cultivating and shaping business features that support inclusive finance, sci-tech innovation finance, rural revitalization, ageing finance, green finance, and the coordinated development of the Yangtze River Delta. We protect the essence of life with financial integrity and goodness, and we respond to market expectations with professionalism and enterprise, organically uniting a bank’s commercial value and social functions.

In 2022, our brand influence continued to increase. In the list of “the Top 1,000 World Banks 2022” published by the British magazine *The Banker*, we were ranked 124th, up 25 places from 2021; 23rd among the Top 100 Banks in China 2022; and second among Chinese rural and commercial banks. Our corporate credit rating from S&P Ratings (China) was AAspc- with a “stable” outlook. We were included in the MSCI ESG rating for the first time and rated A, the highest rating for listed banks in the Chinese mainland, according to the latest ESG rating results released by the international authoritative index agency, MSCI.

We support the national goals of carbon peaking and carbon neutrality, practice the philosophy of sustainable development, and boost green development with the power of finance. We actively promote green finance and advance our green finance capabilities in all aspects, including organizational structure, working mechanisms, strategic decision-making and policies, brand building, business development, product innovation, management system construction, management tools, systems and data, information disclosure, and green operations. Recognizing the industrial iteration and development trend under the goals of carbon peaking and carbon neutrality, we focus on the five core sectors, including green agriculture, green energy, energy conservation and environmental protection, green manufacturing, and green construction, to grow into the most typical green bank in the Yangtze River Delta.

1.2 Highlights of the Year

- **Highlights of the Year**
 - **Established a clear strategic goal for green finance.** In 2022, we proposed constructing “a sustainable finance service system featured by green finance” and specified implementation paths and measures.

- **Developed a clear roadmap for carbon peaking and carbon neutrality.** We developed the *SHRCB Carbon Peaking and Carbon Neutrality Work Plan during the 14th Five-Year Plan*, thereby improving the top-level design of green finance development across the Bank.
- **Signed the United Nations (UN) Principles for Responsible Banking (PRB).** We were the first commercial bank in Shanghai to commit to the UN PRB, we also joined the UN Environment Programme Finance Initiative (UNEP FI), further strengthening our green finance branding.
- **Facilitated the digital transition of green finance.** We launched a green financial business management system to assist front-line account managers to carry out the intelligent identification of green credit through online tools. Furthermore, we analyzed and measured our clients' environmental benefits, which significantly improved our green finance management capability and efficiency.
- **Increased financial support for green industries.** As of the end of 2022, our green credit balance was RMB 43.567 billion, up by 120.32% from the end of the previous year. Our on-balance sheet investment in green bonds reached RMB 9.034 billion, a growth of 150.94% compared to the previous year, which included RMB 3.794 billion of green non-financial corporate bonds.
- **Continuously innovating green financial products.** We successfully issued China's first Shanghai Emission Allowances (SHEA)-backed loan for the medical textile industry and the first rural ecological loan, invested in the first green and carbon-neutral commercial mortgage-backed securities (CMBS) on the Shanghai Stock Exchange, and underwrote China's first Affordable Housing and Carbon Neutrality Bond. The Green Finance Forum of 60 awarded us with the Best Innovative Practice Award of the GF60 Green Finance Awards in 2022.
- **Encouraged green finance-featured institutions.** Oriented by green and technology, we set green loan performance indicators at the level of green finance-featured institutions in order to advance green finance on a large scale with our own characteristics. By the end of 2022, our green finance featured institutions' green credit balance was RMB 3.94 billion, accounting for 27.9% of their credit scale.
- **Zhangjiang Science and Technology Sub-branch achieved high-quality carbon neutrality.** At Zhangjiang Science and Technology Sub-branch, we continued to promote green operations. It achieved significant savings in terms of energy conservation and carbon reduction, the carbon emissions of Zhangjiang totaled 86.05 tons in 2022, 44% less than in 2021.
- **Published the first environmental information disclosure report.** In 2021, we comprehensively disclosed the Bank's efforts and accomplishments regarding environmental aspects, including governance structures, policies and systems, products and services innovations, environmental impacts of our operations, and environmental impacts of our investment and financing activities.



Best Innovative Practice Award of the GF60 Green Finance Awards

1.3 Overview of Key Performance

• Green finance key performance for 2022

Key Indicator	Unit	2021	2022	Change
Balance of green credit	RMB 100 million	197.75	435.67	↑120.32%
Balance of green bond on-balance sheet investment	RMB 100 million	36.00	90.34	↑150.94%
Scale of green bond underwriting	RMB 100 million	21.80	30.30	↑38.99%
Balance of green leasing	RMB 100 million	63.21	69.89	↑10.57%
Balance of green wealth management	RMB 100 million	14.01	16.59	↑18.42%

Note:

1. Starting from 2022, the Bank discloses the green credit balance to the public based on the criteria of the China Banking and Insurance Regulatory Commission (CBIRC), covering that of on-balance sheet loans, off-balance sheet letters of credit, and promissory notes. To maintain consistency, the green credit balance in the table above is based on the criteria of the CBIRC.
2. In the 2021 environmental information disclosure report released, the green credit balance and the green leasing balance were based on the criteria of the PBoC, while the data here is based on the criteria of the CBIRC, which is the reason for data differences.

• Green operations key performance for 2022

Key Indicator	Unit	2021	2022
Total greenhouse gas (GHG) emissions (Scope 1 and Scope 2)	tons of CO ₂ equivalent	40,438.55	43,396.69
Including Scope 1: Direct GHG emissions	tons of CO ₂ equivalent	1,515.68	1,446.45
Scope 2: Indirect GHG emissions	tons of CO ₂ equivalent	38,922.87	41,950.24
Natural gas consumption	m ³	280,907.42	307,874.53
Diesel consumption	L	41,425.58	30,389.53
Gasoline consumption of self-owned vehicles	L	363,774.65	309,208.45
Diesel consumption of self-owned vehicles	L	4,143.96	11,581.24
Purchased electricity	kWh	66,992,893.34	73,558,196.89
Office water consumption	ton	9,593	9,605
Business and office paper consumption	ton	45.15	37.43

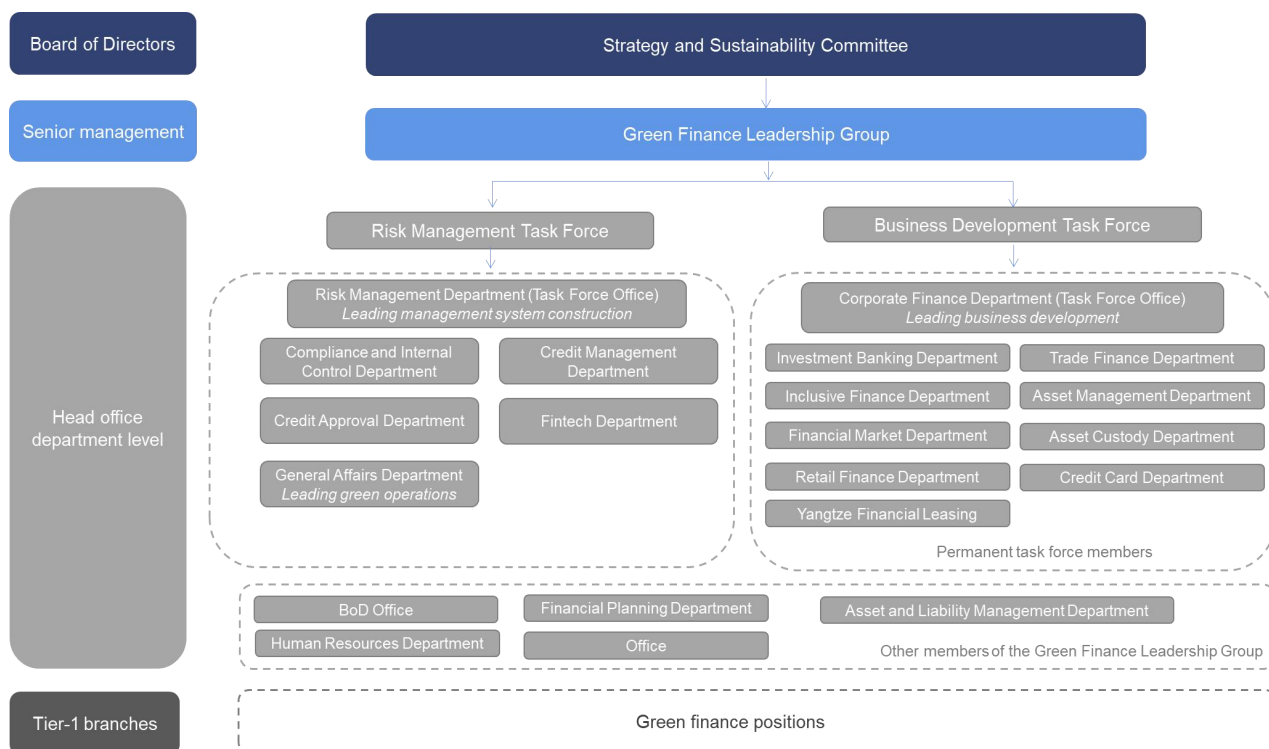
Note:

1. The data of paper consumption cover the Bank's head office building and Zhangjiang Data Center.
2. The data of water consumption cover the Bank's head office building.
3. The data in the table, apart from water and paper consumption, cover the Bank's head office and its 21 branches in Shanghai.

02 Environment-Related Governance Structures

We place a high value on green finance work and strengthen organizational assurance for green finance by improving top-level design and continuously enhancing the organizational structure for green finance.

SHRCB's Green Finance Governance Structure



2.1 Board of Directors Level

The Bank's Board of Directors places high value on green finance work. A Strategy and Sustainability Committee has been established at the Board level to guide the Bank's overall progress in green finance and environmental protection. It expands research on sustainability-related issues, with a focus on green finance development and social responsibility strategic planning. It also monitors and assesses the advancement of green finance and the fulfillment of social responsibility. The Bank's Board of Directors discussed a number of strategic and sustainability-related issues in 2022.

2.2 Senior Management Level

We have established a bank-wide green finance leadership and coordination mechanism. A Green Finance Leadership Group has been established at the senior management level, co-led by Chairman Xu Li and President Gu Jianzhong. The Leadership Group coordinates and advances green finance efforts across the Bank, including policy research, strategic planning, and target and roadmap setting. It also conducts research and makes decisions on critical issues such as organizational structure, development directions, resource allocation, and incentive mechanisms. The Leadership Group has its office at the Risk Management Department.

Under the Green Finance Leadership Group are Task Forces for Risk Management and Business Development. Vice President Gu Xianbin presides over the Risk Management Task Force, which has its office at the Risk Management Department. It leads the construction of the green finance risk management system, including regulatory policy research, system, and standard setting, information system construction, and climate-related risk management tool research and development. Vice President Ying Changming presides over the Business Development Task Force, which has its office at the Corporate Finance Department. It oversees the coordination of green business development across the Bank and is responsible for developing and marketing green products.

We further optimized the organizational structure and working mechanisms related to green finance in 2022, as coordinated by the Green Finance Leadership Group. We created an overall plan for green finance at the beginning of the year, which covered nine areas: strategy and corporate governance, mechanism and organization building, information disclosure, business development, product innovation, policies and process systems, green operations, research and exchanges, and training and dissemination. Throughout the year, the plan was constantly advanced.

2.3 Head Office Department Level

We maximize group benefits and define each department's responsibilities and assignments. We strengthen the link between the front, middle, and back offices, as well as the overall synergy, allowing us to advance green finance-related efforts across the Bank in a comprehensive and systematic manner.

Front-office departments are responsible for the research and development of green finance-related products, the identification of green clients, and the promotion of green businesses. Among them, there is the Corporate Finance Department, Financial Market Department, Investment Banking Department, Retail Finance Department, Inclusive Finance Department, Asset Management Department, Trade Finance Department, and Credit Card Department. The Corporate Finance Department is in charge of the overall progress of all tasks and day-to-day communication and coordination within the Business Development Task Force. Other business departments are in charge of developing green financial products and promoting business within their respective areas of responsibility.

Middle-office departments are working to build a bank-wide green finance system. Among them, the Risk Management Department is in charge of improving environmental and climate-related risk management systems and establishing green credit classification standards. It also leads green finance statistics and regulatory reporting, environmental information disclosure, system building and management, and tracks and evaluates the Bank's progress on green finance. The Credit Management Department is in charge of developing a solid whole-process green credit system as well as implementing green financial credit management. The Credit Approval Department is in charge of developing and implementing differentiated green finance credit approval mechanisms. The Compliance and Internal Control Department is in charge of green finance laws and regulations. The Asset and Liability Management Department is in charge of managing the Bank's green asset structure, leading the Bank's green bond issuance and fund management, and providing differentiated pricing guidance for the green finance business.

Back-office departments are in charge of the Bank's green operations, ESG information disclosure, green finance personnel training, assessments and incentives, branding and promotion, thereby providing effective support and assurance for green finance business development and management improvement.

2.4 Branches Level

Green finance positions have been established at the Risk Management Departments of all Tier-1 branches. They are responsible for promoting the branch's green finance business management, risk management, data governance, and other relevant tasks under the leadership of the head office.

We have established a green finance featured institutions with green and technology as the main business development direction. The green finance featured institution has three market teams: the First Green Finance Department, the Second Green Finance Department, and the Transportation and Logistics Department, which focus on photovoltaic (PV), wind power, new energy vehicles (NEVs), environmental protection, and other industry segments so as to drive large-scale development of green finance projects. Specialized research teams have been formed to conduct in-depth research on the green finance industry as well as to closely monitor industry cycles. An industry whitelist system has been implemented to guide targeted project development and tailor specialized financial products for green industrial development. The green credit balance of our green finance-featured institutions was RMB 3.94 billion at the end of 2022, accounting for 27.9% of their credit scale. Among them, the balance of green energy-related credit has reached RMB 2.81 billion, achieving an increase of RMB 1.415 billion.

03 Environment-Related Policies and Systems

3.1 Environment-Related Development Strategies

We uphold the philosophy of green development and implement national and local laws and regulations and international initiatives on green finance. Starting with the top-level strategic design, we aim to grow into the most typical green bank in the Yangtze River Delta.

- **Growing into the most typical green bank in the Yangtze River Delta**

The green finance development strategy has been fully incorporated into our overall strategy. Our green finance vision for 2035 is to establish a green finance culture recognized by all employees, shape green core values, fully implement green operations and a green management model in all aspects, in order to grow into a first-class bank in China and the most typical green bank in the Yangtze River Delta. We will build an organizational governance structure adapted to green development; form an industry-leading green financial product system covering the full spectrum of corporate finance, inclusive finance, retail finance, the financial market, investment banking, asset management, and financial leasing; and establish a solid, comprehensive risk management support system, an internal control system, and an incentive mechanism for green finance. We will embrace the changes associated with green transitions, seize the new round of development opportunities, and mitigate transition risks. Incorporating the green development philosophy into our overall strategy, we will construct a green finance system suitable for the Bank.

To further progress our green finance efforts, we have developed the *SHRCB Green Finance Development Strategy for 2021-2025*, in which we have set the strategic goal of “growing into the most typical green bank in the Yangtze River Delta.” During the reporting period, we developed the *SHRCB Carbon Peaking and Carbon Neutrality Work Plan During the 14th Five-Year Plan*, in which we further clarified the roadmap toward carbon peaking and carbon neutrality. We will increase our efforts in developing green finance-related businesses while developing and implementing the next-step work strategy. We will integrate green finance into our inclusive finance feature to empower social governance; provide strong support for shaping the Bank’s differentiated advantages, building a distinct brand, implement strategies, and communicating our values, and grow a unique green inclusive finance institution in the region.

Green credit development target:

By the end of 2025, we target group-wide green financial services balance to reach RMB130 billion, of which the balance of green credit aims to exceed RMB 100 billion .

Yangtze Financial Leasing, our subsidiary, attaches strategic significance to the green leasing business. It has strengthened policy guidance for its business investment, improved asset pricing, and highlighted its key support for the green leasing industry. Yangtze Financial Leasing makes an intensive effort to target niche markets. It places a special emphasis on new energy technology, the green transition of traditional industries, and the integration of new energy and traditional energy, and focuses on expanding new energy leasing projects such as

PV, wind power, energy storage, hydrogen energy, and carbon capture. As a result, it has moved its green leasing business into the “fast lane” and steadily increased its proportion.

- **Responding to domestic and international initiatives on green finance**

We actively respond to international and domestic initiatives concerning green finance. In October 2022, we became the first bank in Shanghai to sign the United Nations Principles for Responsible Banking (UN PRB) upon the approval of the UN Environment Programme Finance Initiative (UNEP). We will align ourselves with the six Principles for Responsible Banking as the UNEP requires and implement relevant requirements in detail. Specifically, we will set targets for climate-related risk mitigation, fulfill responsible banking duties, and conduct regular self-assessments for responsible banking so as to further enhance our social image and solidify our green feature.

In addition, as one of the 36 Chinese banking institutions that signed the *Joint Declaration of the Banking Sector to Support Biodiversity Conservation*, we support The Post 2020 Global Biodiversity Framework and continue to increase the strategic significance of biodiversity conservation. We provide financial support for ecological conservation and wetland restoration projects by engaging in investment and providing green credit services.

- **Implementing domestic policies and statutes on green finance**

We earnestly implement regulators’ policies and regulations on green finance, including the *Guidelines on Green Finance for the Banking and Insurance Industries* issued by the CBIRC, the *Green Bond Endorsed Projects Catalogue (2021 Edition)* jointly issued by the PBoC and other ministries and commissions, and the *Green Finance Evaluation Plan for Banking Financial Institutions* issued by the PBoC, among other regulations and policies. We have implemented regulators’ requirements in our business development.

During the reporting period, we researched and developed systems and standards on green finance in accordance with relevant policies and regulatory requirements, and we introduced the *SHRCB Green Credit Strategies*, the *Guidance of SHRCB on Green Financial Business Marketing*, and the *SHRCB Green Credit Classification Standards*, etc. These internal policies on green finance set clearer requirements for the Bank’s green finance business development, risk management, and operational management.

In addition, SHRCB, as a local bank a history of over 70 years in Shanghai with, implements China’s strategies and Shanghai’s policies on carbon peaking and carbon neutrality and vigorously promotes energy conservation and emission reduction measures. Zhangjiang Science and Technology Sub-branch has become China’s first carbon-neutral science and technology sub-branch.

3.2 Green Finance Policies and Systems

- **The 2+N system framework**

We developed a preliminary 2+N systemic framework for green finance in 2022. We introduced a number of new policies based on existing green and environmental systems. The *SHRCB Green Finance Development Strategy for 2021-2025* and the *SHRCB Carbon Peaking and Carbon Neutrality Work Plan*

During the 14th Five-Year Plan are the two pillars for the Bank's top-level system design for green finance, which are supplemented by several policies and mechanisms for business development, risk management, assessments, incentives, and green operations.

- **Business development**

In terms of green finance business development, we have developed the *Guidance of SHRCB on Green Financial Business Marketing*. In the policy, we have outlined the objectives for the growth of our green finance business based on regulatory requirements and peer benchmarking, and we have delegated key responsibilities regarding the green finance-related marketing and product systems.

- **Strengthening innovations in the green credit business**

We have developed product-related management measures to define green credit products and regulate relevant business processes, thereby improving our financial product system and strengthen innovation in our green business.

We have developed the *Management Measures of SHRCB for Credit Business Based on Carbon Emission Allowance Pledges (for Trial Implementation)* in which we place the credit business based on carbon emission allowance pledge credit facility under the Bank's corporate credit business for centralized management. Credit enhancement guaranteed by SHEA is introduced to revitalize corporate carbon assets and stimulate enterprises' intrinsic motivation for energy conservation, emission reduction, and green transitions.

We have developed the *SHRCB Management Measures for Financing Business Based on Pledges of Future Income Rights under Contract Energy Management*. Contract energy management is the business model in which energy-conservation service providers sign energy-conservation service contracts with energy users, develop energy-conservation plans for owners, and share the economic benefits of energy conservation with project owners in exchange for compensation. The business is for energy-conservation service providers, and eligible borrowers are granted loans secured by their future income rights under signed energy-conservation service contracts.

We have developed the *Management Measures of SHRCB for Rural Ecological Loans*. We make working capital loans to qualified borrowers, with a focus on the restoration and upgrading of rural ecological environments, green and carbon reduction governance in rural areas, rural habitat optimization, and rural industrial integration and upgrading.

- **Insisting on the rural commercial feature of "green agriculture"**

SHRCB, as a locally incorporated bank in Shanghai, has been deeply engaged in the business relevant to China's "Three Rural Issues". Staying true to our original aspirations, we put agriculture in the first place with practical assistance and support. In 2022, we continued to deepen the bank-rural area cooperation, issued the *SHRCB Opinions on Thoroughly Implementing the Guiding Principles of "No. 1 Central Document of 2022,"* and engaged in the agricultural industry chain to support the

coordinated development of the Yangtze River Delta. That way, we lived up to our commitment to further accelerating the development of new agricultural business forms such as smart agriculture, low-carbon agriculture, and eco-agriculture.

We promoted Xinnongledai for “new rural residents,” increased credit support for new agricultural business entities, and increased efforts to meet the financial needs of “new citizens” for employment, entrepreneurship, and settlement in 2022. As a result, we practically improved financial services for agriculture, rural areas, and rural residents, and enhanced the sense of fulfillment, happiness, and security provided by financial services for “new rural residents.”

- **Risk management**

- **Seeking innovations in special credit guidelines**

We developed the *SHRCB 2022 Policies for Credit Granting Directions* during the reporting period, in which we clearly stated our green credit strategy of insisting on synergistic development with regional strategies, integrating with inclusive science and innovation, making breakthroughs in key areas, and implementing the green philosophy across the board. We are catalyzing the green transition of the Bank’s business and aggressively increasing the proportion of green credit assets in the Bank by seizing opportunities in China’s industrial transformation.

In the area of the green development of rural areas and agriculture, we support the circular development of ecological agriculture, the construction of beautiful rural areas, and the low-carbon transition of rural energy use. In the area of the green upgrading of infrastructure, we support the construction of environmental infrastructure in urban and rural areas, the development of green transportation systems, the renovation of industrial parks for recycling, and the energy conservation and carbon reduction of new infrastructure. In the area of clean energy systems, we support solar and wind power generation, nuclear power, and smart grids. In the area of green transportation, we support the NEV industry, including the production of NEVs and their motors and engines, NEV energy storage devices, and NEV parts and accessories. In the area of energy conservation and environmental protection, we support the production of energy-efficient and environmentally friendly equipment, environmental protection monitoring instruments and electronic equipment, and environmental pollution treatment agents and materials.

Furthermore, we support green transitions in the industrial sector. We contribute to carbon peaking in the industrial sector, facilitate resource recycling, promote clean manufacturing processes, and aid in the greening of the mining, oil, and chemical industries. We never invest in new production capacity or “zombie enterprises” in industries with high pollution, high energy consumption, and/or overcapacity, such as steel, cement, electrolytic aluminum, and flat glass, where national policies are not followed.

- **Improving green credit classification standards**

We have improved our green credit classification and statistical standards even further. We integrated the PBoC and CBIRC green credit statistical systems and issued the *SHRCB Green Credit*

Classification Standards, improving all employees' understanding and awareness of our green business and assisting our branches in carrying out day-to-day green business.

▫ **Tightening environmental and social risk management**

We explicitly require projects to comply with national policies on industry, land, and environmental protection in the *SHRCB Management Measures for RMB Fixed Asset Loans*. The project and the enterprise will be thoroughly examined during the pre-lending investigation and review process to ensure that they meet environmental protection requirements. Projects and businesses that fail to meet national environmental protection standards will be rejected.

We set out clear requirements for the classification and identification of green credit deals, environmental and social risk rating, and environmental review certificates in the *SHRCB Basic Operating Procedures for the Pre-Lending Investigations of the Corporate Credit Business*.

According to *SHRCB Basic Operating Procedures for the Review and Approval of Credit Business*, we explicitly require reviewers and approvers in the to pay attention to whether the credit fiduciary/project meets national mandates on green finance in terms of energy consumption, pollutant discharge, chemical and waste management, safety, and health management, and whether there are potential significant environmental and social risks.

▫ **ESG risk management mandates for new credit bonds**

We incorporate environmental, social, and governance (ESG) considerations and set ESG requirement thresholds for credit bond issuer in the *Internal Ratings and Access Criteria for Corporate Credit Bond Issuers*, with continuous monitoring and evaluation.

• **Appraisals and incentives**

- **Appraisal indicators:** We set green finance-related indicators in the senior management appraisal in 2022 to strengthen green finance management responsibilities from the top down. In 2022, we also included green finance assessment indicators in the comprehensive performance evaluation for branches. With bank-wide unified scheduling, we increase our support for credit allocation to green industries and encourage branches to provide specialized financial services for green industry projects that support environmental improvements, climate change responses, and the efficient conservation and utilization of resources.
- **Incentive policies:** We assign a preferential risk weighting factor of 0.90 to on-balance-sheet green deals for corporate businesses when calculating and evaluating credit risk-weighted assets in order to further guide branches to increase credit allocation to green-related industries. We developed a first-time lender subsidy policy to provide first-time green credit corporate lenders with appropriate special offers of FTP in 2022.

• **Financial leasing**

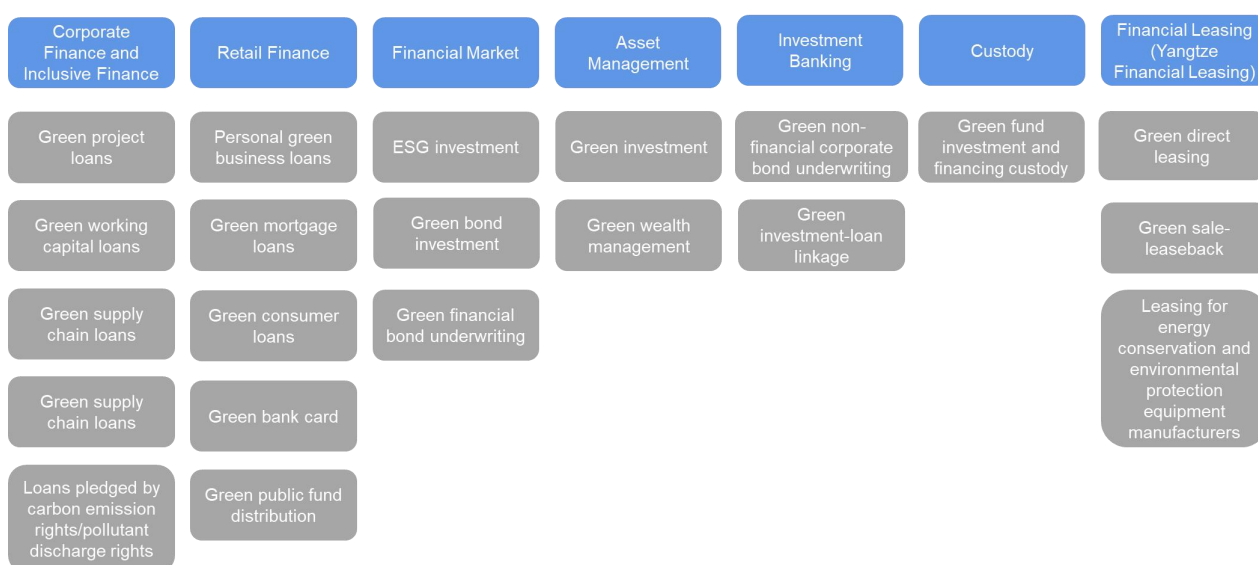
Yangtze Financial Leasing, our subsidiary, has established the *Yangtze United Financial Leasing Co., Ltd. Policies for Leasing Business Directions (2022 Edition)*. The policy identifies green leasing as one of the

company's four major business segments and defines green leasing as well as the scope of green industries that it supports. It supports six industries, as outlined in the *Guiding Catalogue for Green Industries (2019 Edition)*: energy conservation and environmental protection, clean production, clean energy, ecology and environment, green infrastructure upgrading, and green services.

Yangtze Financial Leasing has incorporated green leasing as a tenure appraisal indicator for senior executives and established a green leasing business target, further strengthening and clarifying the top-down responsibilities for green leasing business development.

04 Environment-Related Products and Services Innovation

We strive to support the green real economy through green investment and financial products and services as we are acutely aware of the significant impacts of the natural environment and climate change on economic and social development. We innovate green financial products and services in our business lines of corporate finance and inclusive finance, retail finance, the financial market, asset management, investment banking, and financial leasing, with the goal of “growing into the most typical green bank in the Yangtze River Delta” and based on the dynamics of green finance and corresponding financing needs, thus continuously enriching the group’s green finance business. During the reporting period, we fully utilized the group’s comprehensive advantages and went above and beyond to develop a comprehensive range of green products and services, including green corporate finance, green retail finance, the green financial market, green asset management, green investment banking, green custody, and green financial leasing.



4.1 Corporate Finance and Inclusive Finance

Concerning the corporate finance and inclusive finance business, we concentrate on developing diversified green financial products and services in green areas, such as green agriculture, green buildings, green energy, energy conservation and environmental protection; typical products include ecological loans, loans pledged by carbon emission rights/pollutant discharge rights, and loans pledged by contract energy management.

We employ our unique capabilities to facilitate the in-depth advancement of the Rural Revitalization strategy, focusing on promoting green inclusion with green agriculture, rural areas, rural residents, we provide key agricultural business clients with green agricultural industry chain financial services and financial support for rural ecological environment restoration. During the reporting period, we partnered with the Shanghai Environment and Energy Exchange to open up business channels for high-quality enterprises under carbon emissions trading management, assist enterprises in establishing credit enhancement mechanisms, and increase the total amount of bank credit, thereby contributing to energy conservation, emission reduction, and green production.

We are constructing a green inclusive finance system. Based on traditional inclusive finance service platforms and empowered by green economy-related management standards or service channels, we facilitate inclusive finance's role as a supporter and promoter of green, low-carbon, and recyclable economic development, so as to bring financial convenience and value to citizens' and micro and small enterprises' (MSEs') energy-saving and carbon-reducing behaviors. We have introduced SHRCB's green inclusion-featured interest center for functional services based on the functional characteristics of the participants in constructing green inclusion mechanisms, which are becoming increasingly evident in the region. As a result, we have amassed significant green inclusive finance resources and formed multiple clusters of distinctive green inclusion environmental rights resources. This move has resulted in the integrated development and synergistic innovation of green , has linked objectives and interests to some extent, and has brought into play the supporting role of financial resources from banking institutions for green inclusion market allocation.

- **Rural Ecological Loan**

We have developed the *SHRCB Management Measures for Rural Ecological Loans* and launched a creative product, the Rural Ecological Loan, to increase support for rural revitalization, contribute to the improvement of rural ecological environments, and boost the overall development of green ecological agriculture and rural industry. With the Rural Ecological Loan, we help to restore and improve the rural ecological environment, as well as support green governance and carbon reduction in rural areas by focusing on the safe disposal and recycling of rural garbage and agricultural waste, the reduction of chemical fertilizers and pesticides, and the promotion of green organic fertilizers.

In June 2022, we successfully granted the first Rural Ecological Loan of RMB 8 million to an enterprise in Xidu Sub-district to support its overall operation and maintenance of rural revitalization. The loan has brought the Bank closer to rural and urban areas and demonstrated SHRCB's original goals of "being born for, thriving from, and serving for agriculture, rural areas, and rural residents."

- **Green agricultural industry chain financial services**

Shanghai has an agricultural town on its outskirts that is well-known for mushroom cultivation. With its modern agricultural cultivation model, Edible Mushroom Cooperative A has become "No. 1 in Shanghai" in terms of annual production. Its one-of-a-kind green circular production model recycles agricultural waste in the surrounding areas, such as straw and livestock manure.

The cooperative has attempted to connect all segments of the industry chain in order to drive technological advancement and income growth for surrounding micro and small cooperatives and rural residents, as well as to create a mushroom town with Jiangnan (the downstream Yangtze River) characteristics. It has achieved the tri-win results of coordinating agricultural resources, driving agricultural development, and assisting rural residents in increasing their income as a green cooperative of circular development.

SHRCB offers customized mushroom industry chain financial services based on the cooperative's business model and the capital requirements of its upstream and downstream agricultural entities. We provide credit

support for micro and small cooperatives and rural residents upstream in the industry chain and mushroom distributors downstream by leveraging its business and trade data with this leading cooperative. SHRCB has so far loaned over RMB 30 million to micro and small cooperatives, rural residents, and mushroom dealers in the industry chain.

The integrated development of the agricultural industry chain is a crucial means of promoting the quality development of the agricultural industry. SHRCB's agricultural industry chain financial model can activate the empowering effect of finance on rural revitalization, provide effective support for rural residents to increase their income, and guide rural residents toward common prosperity.

- **Credit granting pledged by carbon emission allowances**

To further contribute to the carbon peaking and carbon neutrality goals, we developed the *Management Measures of SHRCB for Credit Business Based on Carbon Emission Allowance Pledges* during the reporting period. We collaborated with the Shanghai Environment and Energy Exchange to grant China's first SHEA-pledged financing deal for the medical textile industry in October 2022.

Enterprise A specializes in SMMS and SSMMS composite non-woven fabrics and provides raw materials for the manufacture of masks and protective clothing. As the enterprise's production load and carbon emissions increased in recent years, so did its liquidity demand. For the first time in 2022, the enterprise was added to the Shanghai Municipal Bureau of Ecology and Environment's list of enterprises subject to carbon emissions trading management. This SHEA-guaranteed credit enhancement increased the total amount of credit granted to the business while lowering the loan interest rate. It demonstrated that green finance benefited real-economy enterprises while also providing environmental and economic benefits.

- **Loans pledged by contract energy management**

We maintain our strategic focus on inclusive finance and take the lead in pursuing a model that integrates carbon inclusion with inclusive finance and green finance, using credit funds to incentivize MSEs to save energy and reduce carbon emissions. Our contract energy management-pledged financing helps enterprises obtain special loans secured by future income rights. The term can be up to ten years long, with a pledge rate of up to 90%. We use this tool to provide credit support to MSEs through more flexible pledging methods and maturity arrangements in order to meet their financing needs for energy conservation, emission reduction, and low-carbon transition.

Since 2022, we have provided many MSEs with loans secured by the future income rights of distributed PV power generation equipment in seven to ten years. The contract energy management-pledged financing resolves MSEs' long-standing financing issues in clean energy utilization projects and enables them to lay a solid foundation for low-carbon transition and growth.

- **Green credit contributing to biodiversity conservation**

As one of 36 Chinese banking institutions to sign the *Joint Declaration of the Banking Sector to Support Biodiversity Conservation*, SHRCB emphasizes the role of finance in promoting eco-friendly, sustainable, green, and inclusive development. Langxia Country Park in Jinshan District has received a ten-year special fixed asset

loan of RMB 15 million from us. The loan funds the renovation of undergrowth spaces such as cultivated land, seedling plantations, and cultured forests, as well as improvements to the ecological purification system for natural water in order to realize the endogenous cycle of water resources and nutrients while providing green space for wildlife habitation and reproduction. The newly renovated Langxia Country Park is themed “Ecology, Production, and Life,” which focuses on “rural areas, agriculture, and farmers” and incorporates ecological conservation, modern agriculture, popular science, and cultural experience. It has become Shanghai’s first publicly accessible country park.

4.2 Retail Finance

In the retail business line, we focus on advancing green credit products and services in green consumption and personal green business loans, and continuously innovate green public fund distribution and green bank cards.

- **Green retail loans**

In terms of green consumption loans, we combine green building projects and NEV enterprise loans with green mortgage loans and NEV loans for individual customers through public-private coordination, providing financial products and services that support personal green consumption.

In terms of personal green business loans, we integrate our inclusion feature with green finance, collaborate with personal business loan platforms, and grant loans to green areas such as energy conservation, environmental protection, clean energy, and new materials.

- **NEV loans**

In recent years, Auto Group A has focused on NEVs, and its NEV sales have steadily increased. From January to October 2022, its NEV sales exceeded 800,000, a 43.96% increase year on year. Since 2019, we have worked with the auto group’s finance company to implement the state’s green development philosophy and sustainable development strategy and vigorously grant NEV loans to individual consumers for them to purchase NEVs for personal use. As of the end of December 2022, the balance of our NEV loans with the auto group’s finance company had reached RMB 49,164,200, indicating our contribution to lowering pollution and carbon emissions.

- **Green public fund distribution**

In 2022, we distributed 16 public funds in ESG, low carbon, new energy, and environmental protection, with an aggregate sales volume of RMB 50,969,600.

Serial No.	Name of the Fund Distributed	Sales Volume (RMB 10,000)
1	CUAM Environmental Protection Industry Stocks	2,533.20
2	Invesco Great Wall New Energy Stocks	674.35
3	Harvest New Energy Materials	416.90
4	Harvest Environmental Protection and Low Carbon Stocks	318.78
5	CUAM NEV	315.36
6	E Fund Environmental Protection Theme	283.95
7	HSBC Jin Trust Low-Carbon Pioneer Stocks	195.34
8	SWS MU NEV	191.64

9	HuaAn NEV ETF Connect	42.92
10	AXA SPDB Environmental Protection and New Energy	40.39
11	Zhonghai New Energy	33.05
12	Invesco Great Wall Environmental Protection Advantageous Stocks	24.55
13	CUAM ESG Sustainable Growth	15.03
14	Invesco Great Wall Low-Carbon Technology	5.00
15	SWS China Securities Environmental Protection Industry Index	3.42
16	CGB Environmental Protection Index	3.08
	Total	5,096.96

- **Green bank cards**

We collaborate with the Shanghai Federation of Trade Unions to provide trade union members all over the city with co-branded debit and credit cards (hereafter referred to as “Trade Union Cards”). We kept promoting a low-carbon lifestyle to customers in 2022 using Trade Union Cards. Shanghai resumed work and production in June, and we introduced the Return to Work by Green Travel campaign on June 17, 2022. Trade Union Card customers who reached the target asset were eligible to win a weekly or monthly Hello Bike card. Customers were urged by the campaign to use green transportation to get back to work and produce. From September to October, we collaborated with the Shanghai Federation of Trade Unions to introduce the Subsidy for Green Travel campaign, which offered cash incentives to Trade Union Card holders who used green transportation options like the metro, bus, ferry, and tram. The total number of participants was 40,000.

We created the Xin Speed Card, a green credit card, in 2020. It is our first non-physical credit card, whose entire lifecycle is supported by digital technology. It can be applied for in real-time, approved for in real-time, activated in real-time, bound in real-time, and used for consumption in real-time. It complies with the green and environmental protection ideas, improves card issuance efficiency, and enhances the user experience when used in conjunction with the paperless application process.



4.3 Financial Market

We are actively involved in green bond investment and lowering the costs of green project financing for issuers, thereby contributing to the real economy's green and low-carbon transition and the goals of carbon peaking and carbon neutrality.

- **Green bond investment contributing to biodiversity conservation**

As a signatory to the *Joint Declaration of the Banking Sector to Support Biodiversity Conservation*, SHRCB implements The Post-2020 Global Biodiversity Framework in a comprehensive manner and increases the strategic significance of biodiversity conservation on a continuous basis. In 2022, we invested in a Bond Connect green financial bond for the "Conservation and Restoration of the Yangtze River Basin Ecosystem," utilizing financial power to conserve the biodiversity of the Yangtze River Basin and construct a green ecological corridor along the river basin. Once completed, the project is anticipated to reduce chemical oxygen demand by 27,800 tons, biochemical oxygen demand by 11,100 tons, ammonia nitrogen by 2,500 tons, carbon dioxide by 394,000 tons, and standard coal equivalent by 168,800 tons per year.

- **First investment in a green bond fund**

In 2022, we made our first green bond fund investment, investing RMB 100 million in Yinhua Green and Low-Carbon Bond Fund.

The Yinhua Green and Low-Carbon Bond Fund, established in September 2022, raised more than RMB 4.3 billion on the first day of the offering, making it the market's largest green bond fund at the time. The fund invests at least 80% of its non-cash assets in low-carbon green bonds. It focuses on green-labeled bonds that are traded on the interbank or exchange market, whose use of proceeds (UoP) meets the *Green Bond Endorsed Projects Catalogue*, the *Guiding Opinions of the China Securities Regulatory Commission on Supporting the Development of Green Bonds*, or any criteria from the requirements of domestic stock exchanges on green corporate bonds. In this way, Yinhua Green and Low-Carbon Bond Fund supports green industries' development and contributes to the strategic goals of carbon peaking and carbon neutrality.

4.4 Investment Banking

Since February 2021, when the National Association of Financial Market Institutional Investors launched carbon neutrality bonds, we have been promoting carbon neutrality bond underwriting services to support national carbon peaking and carbon neutrality strategies.

- **Promoting the underwriting and issuance of China's first Affordable Housing and Carbon Neutrality Bond**

As a co-lead underwriter, SHRCB successfully issued a company's second phase of green medium-term notes (carbon neutrality bond/affordable housing) in August 2022. This groundbreaking combination of a carbon neutrality bond and affordable housing is the first of its kind in China.

The proceeds of this bond will be used to construct an ultra-low-energy building. Once completed, the project is expected to save over 400 tons of coal equivalent and reduce over 900 tons of CO₂ emissions per year, making a significant contribution to the Lingang New Area's low-carbon development. More importantly, improving people's living standards is important to provide financial support for affordable housing construction in the Lingang Area. The project includes over 1,222 affordable housing units in total, and it will provide a new and well-equipped large rental community for the surrounding area and create favorable conditions for future regional consumption growth and a positive social demonstration effect.

- **Green finance contributing to the energy sustainability strategy**

SHRCB, as a co-lead underwriter, successfully issued an enterprise's 11th phase of green ultra-short-term financing bonds in December 2022. The proceeds of this bond will be used to fund a wind power project with an estimated annual on-grid energy output of 258,488,900 kWh. Per year, it is expected to achieve a CO₂ emission reduction of 213,700 tons, a fossil energy replacement of 78,200 tons of coal equivalent, a SO₂ emission reduction of 41.36 tons, a NO_x emission reduction of 46.27 tons, and a dust emission reduction of 8.27 tons in when compared to thermal power generation projects with the same amount of on-grid energy.

4.5 Asset Management

We are expanding our green asset management capabilities and providing ongoing financial support for the issuance of green bonds and other types of green assets.

- **Investment in the SSE's first green carbon-neutral CMBS**

We successfully invested in the senior level of Enterprise A-Tower A Green Asset-Backed Special Program (Carbon Neutrality) in April 2022. This is the SSE's first green carbon-neutral Commercial Mortgage-backed Securities (CMBS) project and the first CMBS project we invested in during the COVID-19 pandemic.

We reacted quickly to the unexpected COVID-19 pandemic. We advanced bond investment and channeled wealth management funds to providers of essential services while making sound plans for investment, transactions, and operations. As a result, we ensured a smooth transition of the enterprises' cash flow and assisted them in fighting the pandemic and maintaining production, thereby contributing to pandemic prevention and control. The underlying asset of the CMBS project in which we invested this time was a focus on green and environmental protection during the design and construction processes. It has been recognized as a Green Construction Demonstration Project and has received the Green Building Engineering Design Award and the 2020 Carbon Neutrality Certificate. It is also the only office building of a central enterprise's financial institution to receive an annual certificate for carbon peaking and carbon neutrality. The cash flow of the project meets the criteria for green project recognition. A green assessment agency has given it a G-1 rating for green bonds due to its significant carbon reduction results.

4.6 Financial Leasing

Yangtze Financial Leasing, our subsidiary, actively incorporated the group's integrated management strategy and works intensively on green transportation, manufacturing, energy, and environmental protection. Through business coordination, it brings together the business advantages of banking and leasing to meet clients' financing needs for new projects in an all-around way and continuously builds up the development momentum of green leasing.

- **Banking-leasing coordination to contribute to environmental protection**

[Case 1]

Enterprise B is China's largest waste glass recycling enterprise, which is headquartered in Shanghai, with plants and production lines in Shanghai, Shahe, and Xuzhou. Yangtze Financial Leasing worked with its parent bank to enable the synergy of local and remote projects, loans and leasing, and short-term and long-term funds through integrated financial solutions based on banking-leasing coordination. This move met the enterprise's integrated capital needs and provided financial boost for the enterprise to expand its reproduction.



[Case 2]

Enterprise C is an environmental protection enterprise specializing in the recycling of hazardous waste such as gold, copper, and nickel salts in Songjiang, Shanghai. SHRCB and Yangtze Financial Leasing provided financial support for the enterprise's renovation and expansion project by organically combining the Bank's corporate credit granting with financial leasing to bring the client "one-stop credit services." The feature of "financing for fixed assets plus financing for liquidity" of direct leasing met the lessee's needs for large investment in fixed assets and supported the lessee in expanding its hazardous waste disposal capacity. In addition, it reduced the short-term cash flow pressure from the lessee's equipment purchase and supported the long-term stable development of the environmental protection enterprise.

The lessee is a hazardous waste recycling MSE and a high-tech enterprise of environmental protection. Once completion, the project is expected to dispose 50,000 tons of heavy metal sludge, 25,000 tons of copper-containing waste, 2,000 tons of nickel-containing waste, and 800 tons of gold-containing waste liquid every year. It greatly enhances the lessee's hazardous waste disposal capacity and fits in with the ideas of energy conservation, emission reduction, low carbon, and environmental protection.

This direct leasing case for hazardous waste disposal production equipment was selected in the PBoC Shanghai Headquarters' *Compilation of Green Financial Product Innovation Cases in Shanghai (Issue 2, 2022)*.

05 Environmental Risk Management Process

We continuously strengthen ESG risk management in the credit-granting and bond-investing processes, as well as our capabilities to identify, evaluate, and manage such risks.

5.1 Credit ESG Risk Management

We have integrated ESG risk management requirements into processes of pre-lending, lending, and post-lending. We have strengthened risk control throughout the entire process, from review and approval to post-lending management.

Pre-loan review for access

- Industry verification: Projects and businesses that do not meet national environmental protection standards, regardless of their other qualifications, will be rejected. The borrower's production and operation activities will be scrutinized to determine whether they belong to industries with high pollution, high energy consumption, and/or overcapacity, or industries that will be phased out due to backward capacity.
- Due diligence: The account manager must assess the client's and the project's environmental and social risks and fill out the *Environmental and Social Rating Form*. Suppose the borrower is engaged in a project that has an environmental impact, it is necessary to investigate the current situation, and the borrower must obtain all valid environmental permits issued by competent departments.

In-loan review and approval

- Risk review: The reviewer and approver must evaluate clients' environmental and social risks. They must also assess whether the borrower or the loan-funded project complies with national green finance mandates in terms of energy consumption, pollutant discharge, chemical and waste management, and safety and health management, and whether they pose significant environmental and social risks; assess whether the borrower, guarantor, and loan in question are involved in money laundering; and assess what the borrower's tax payments are like, and whether there are any significant risks in corporate governance.
- Green approval channel: Specialized reviewers have been appointed at each review section, and a reviewer coordination system has been established. Dedicated staff review and prioritize green credit deals, and differentiated review and approval are used. These initiatives ensure that green credit transactions are prioritized in terms of resource allocation and receive timely business responses.
- Contract management: Clauses on environmental and social risk management are included in credit contracts.

Post-lending management

In routine checks, our account managers must determine whether the borrower (guarantor) has suffered from major natural disasters or accidents. We carry out risk warning and post-loan monitoring for clients with significant environmental and social risks.

5.2 Credit Bond ESG Risk Management

We have introduced open market authoritative ESG ratings and early warning data to evaluate credit bond issuers in three dimensions: environmental, social, and corporate governance. In this way, we identify and mitigate issuers' environmental and social risks, and discover high-quality clients with long-term development potential.

- **Application of credit bond issuers' ESG ratings**

We use ESG ratings to evaluate credit bond issuers in three dimensions: environmental, social, and corporate governance. The environmental assessment focuses on the issuer's environmental awareness and investment and whether there is a conflict of interest between the issuer's development and environmental protection efforts. The social assessment focuses on the conflict of interest between the issuer's development and the needs of its clients, employees, and other major groups in the community. The corporate governance assessment focuses on the issuer's day-to-day management quality and efficiency, governance incentive and monitoring mechanisms, management competence, and the potential impact of the external regulatory environment on corporate governance. A higher score in this assessment system represents the issuer's better ESG performance.

We have established thresholds based on the ESG ratings of credit bond issuers. The ESG ratings of the credit bond issuers in our investment were higher than the market average as of the end of 2022. We will continue to strengthen our monitoring and assessments of bond issuers' ESG performance in the future and promote green investment and development.

06 Impacts of Environmental Factors

6.1 Identification of Climate-Related Risks and Opportunities

We recognize that climate change may have a material strategic or financial impact on the Bank. To better address potential climate risks and capture climate opportunities, we refer to the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) to identify and assess physical risks, transition risks and climate opportunities, taking into account the Bank's own business characteristics.

- **Climate-related risks**

Type		Potential Impacts	Timeframe	Response
Physical Risks	Acute	An increase in frequency and intensity of extreme weather events such as typhoons, floods, and heat waves may affect or disrupt the operation of a client's business or supply chain and/or damage the client's fixed assets, resulting in asset impairment and increased default risk. Extreme weather events may also lead to suspension of operations and infrastructure damage to the Bank's business outlets, resulting in increased operating costs.	Short term	In terms of business, we have launched a pilot program for the analysis of climate-related physical risks of agriculture-related assets and credit bond issuers in the Yangtze River Delta to enhance the ability to address climate-related physical risks on the asset side. In the future, we will pay attention to our clients' initiatives in water efficiency management, wind and disaster mitigation in our agriculture-related deals and credit bond investments in the Yangtze River Delta.
	Chronic	Chronic risks due to climate change, such as rising average temperatures and changes in soil productivity, may lead to higher operating costs and lower productivity for some clients as well as the Bank's own operation. Sea level rise may lead to disruption of production or operations or damage to infrastructure in coastal areas, thereby undermining profitability.	Medium and long term	In terms of operations, to reduce and mitigate damage due to extreme weather events and safeguard our employees and clients' lives and property, we have developed regulations on emergency response and duty readiness for catastrophic weather, established an emergency response team, defined responsibilities for catastrophic weather prevention, developed and improved relevant emergency protection plans, installed reasonable disaster prevention facilities, and carried out training, drills, and inspections to effectively respond to catastrophic weather.
Transition Risks	Policy and Legal	Under the goals to peak carbon dioxide emissions before 2030 and to achieve carbon neutrality before 2060, policies and standards on low-carbon transition have been introduced. As a result, energy-consuming and high-emitting enterprises will see increasing operating costs and compliance risks. In addition, SHRCB as a financial institution, is facing higher requirements on climate risk management, which may result in higher compliance costs.	Short, medium, and long term	In terms of business, we are building a green financial product and service system and developing innovative green and climate-friendly financial products to provide financial support for our clients' green and low-carbon transition. For our credit business, we implement a veto system for environmental compliance; reduce loans to industries with high pollution, high energy consumption, and/or overcapacity; and perform green credit classification. We conducted a stress test on the transition risk of high-carbon industries and analyzed clients' financial performance,

Type		Potential Impacts	Timeframe	Response
	Technology	With the development of low-carbon transition technologies, some clients may see shrinking market demands for their existing business or products, face increasing costs of technology transition, or even fail in transition. As a result, the quality of credit assets may be undermined and there will even be the risk of default.	Short and medium term	credit ratings, and default probability under the delayed transition scenario of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), thereby laying the groundwork for subsequent forward-looking management. In addition, we are seeking the carbon emission measurement of credit assets and exploring paths to net zero at the asset level to lay the groundwork for contributions to the goals of carbon peaking and carbon neutrality.
	Market	With the green and low-carbon transition of market demands, some clients may be affected by market changes, such as decreasing market demands for their existing high-carbon products or services or increasing costs of high-carbon raw material, and face the risks of decreasing income, depreciating assets, and increasing operating costs, which will undermine the quality of bank assets. In addition, market demands and requirements for green financial products are higher. Banks that fail to provide relevant products and services and properly control their quality may face the risk of client loss and investors' doubts.	Medium and long term	In terms of operations, we conduct carbon emission measurement on the operational side and will set relevant quantitative climate targets in the future.
	Reputation	As a signatory bank to the UN PRB, we must live up to our commitment and align ourselves with the Paris Agreement targets and China's goals of carbon peaking before 2030, carbon neutrality before 2060, and green and low-carbon development. Failure to properly manage climate-related risks or exposure to high pollution and carbon-intensive sectors may expose the Bank to reputational risk.	Short, medium, and long term	

- Climate-related opportunities**

Type		Potential Impacts	Timeframe	Response
Cli mat e- rela ted	Resource Efficiency	For us and our clients, resource and energy efficiency improvements can reduce the consumption of natural resources and electricity, as well as waste generation, thereby reducing	Medium term	In terms of business, we comprehensively promote the development of its green finance business through policies, products, and systems, and contributes to the goals of

Type	Potential Impacts	Timeframe	Response
Opportunities	operating costs.		carbon peaking and carbon neutrality with green finance products and services such as PV loans, the rural ecological loan, NEV loans, and carbon neutrality bond investment. In terms of operations, we optimize our operation mode to improve resource efficiency and renewable energy utilization and reduce operating costs. For example, energy-efficient power supply equipment is applied and paper is printed double-sided in workplaces, pilot programs are launched for using PV panels to generate electricity, and employees are encouraged to commute by green travel. Zhangjiang Science and Technology Sub-branch has been operating in a carbon neutral way since 2021.
	Energy Source By promoting the use of renewable energy, we and our clients can mitigate the risk due to rising fossil energy prices, reduce carbon emissions, lower operating costs, and enhance their reputation.	Medium and long term	
	Products and Services By developing and providing green, low-carbon, and transition financial products and services, we can boost green and low-carbon industries, meet the growing corporate financing demand for low-carbon transition, and open up new space for income growth.	Short, medium, and long term	
	Markets Under the goals and policy of carbon peaking and carbon neutrality, the sources and supply of funds to support green and low-carbon industries and transition will increase, and so will the market and clients' financing needs for green and low-carbon transition and development. We will face new opportunities for investment and business growth.	Short, medium, and long term	
Resilience	In the face of climate change, client demand for higher climate resilience will rise. Providing financial support for climate resilience will be a business opportunity for us. In addition, we can enhance our ability to address climate-related risks and seize climate-related opportunities by developing climate-friendly products and services.	Medium and long term	

6.2 Quantitative Analysis of Environmental Risks

• Analysis of credit bond issuers' physical risks

To further investigate the climate-related risks of credit bond assets with a broad geographic distribution, we have pioneered a quantitative analysis of the climate-related physical risks of credit bond issuers, in which we assessed the physical risks faced by our credit bond positions by geographic region and industry distribution.

Analysis method for credit bond issuers' physical risks

For a specific type of climate-related physical hazard, the base risk score for each credit bond issuer under the hazard category is obtained from SynTao Green Finance's professional climate-related physical risk assessment database and marked as $Score_Raw_i$. Combined with the industry and company size of the credit bond issuer, the base risk score is added with the physical risk adjustment coefficient ($Beta_i$) to obtain the final risk score under the hazard category, which is marked as $Score_i$. The calculation process is as follows:

$$Score_i = Score_Raw_i \times Beta_i \quad (1)$$

The basic risk score integrates Hazard, Vulnerability, and Exposure for each type of climate hazard to reflect the corresponding level of physical risk faced by an enterprise or asset. The physical risk adjustment coefficient is used to reflect a specific deviation between the physical risk of an enterprise and the average physical risk level of the industry, which is mostly determined by two factors: company size and the industry of the company.

The result of multiplying α_i , the proportion of Issuer_i in the credit bond investment portfolio (the weight), with the corresponding score (Score_i) and summing up is the risk score of the portfolio under the category of physical hazard, which is marked as Score_{Total}. The calculation process is as follows:

$$\alpha_i = \frac{Issuer_i}{\sum_1^n Issuer_i} \quad (2) \quad Score_{Total} = \sum_1^n \alpha_i \times Score_i \quad (3)$$

In this study, the bond issuer (Issuer_i) is substituted by the balance of our investment in the credit bond issuer at the end of 2022. For the choice of geographic location, we use the place of registration of the credit bond issuer (sub-district level), given the availability of data.

Assessment results of credit bond issuers' physical risks

The analysis shows that in the context of climate change, major physical risks to credit bond issuers in our portfolio are heat waves, followed by water shortages, extreme cold, droughts, and floods, while the risks of ecological damage and sea level rise are low. In the future, we will further analyze the impact of physical risks on credit bond issuers as well as our financial performance, and seek corresponding risk management measures.

Heat Map of 7 Physical Risk Exposure Levels for 7 Categories of Climate-Related Physical Hazard

Sector	Climate Hazard Category						
	Water shortage	Heat wave	Extreme cold	Drought	Flood	Ecological damage	Sea level rise
SHRCB's Credit Bond Portfolio (on-balance sheet)	3	4	3	3	3	2	1

Sector	Proportion	Climate Hazard Category						
		Water shortage	Heat wave	Extreme cold	Drought	Flood	Ecological damage	Sea level rise
Production and supply of electricity, heat, gas, and water	36.78%	3	4	2	3	3	2	1
Mining	10.65%	4	3	3	3	3	2	1
Manufacturing	4.45%	3	4	2	2	4	2	1
Construction	7.02%	4	4	3	3	3	2	1
Finance	5.97%	4	4	3	3	4	2	1
Transportation, warehousing, and postal	24.43%	3	4	2	3	4	2	2

Leasing and business services	3.40%	4	4	2	2	4	2	1
Wholesale and retail	3.12%	4	4	3	3	4	2	1
Water conservancy, environment, and public facility management	2.25%	3	4	2	2	4	2	2
Real estate	1.38%	3	4	2	2	4	2	1
Information transmission, software, and IT services	0.05%	3	3	2	1	4	3	1
Accommodation and catering	0.51%	4	5	4	3	5	3	1

Heat Map of 7 Physical Risk Exposure Levels for 7 Categories of Climate-Related Physical Hazard (by sector)

Legend	1	2	3	4	5
Risk Level	Low	Medium-Low	Medium	Medium-High	High

- Climate-related risk stress test**

We have conducted exploratory work on climate risk stress testing in order to evaluate the potential impact of the carbon peaking and carbon neutrality goals and transition on our credit assets. Based on the *Notice on Key Tasks for the Management of Enterprise Greenhouse Gas Emissions Reporting in 2022* issued by the Ministry of Ecology and Environment, the *List of Shanghai Municipal Entities under Carbon Emission Allowance Management (2020 Edition)* issued by the Shanghai Municipal Bureau of Ecology and Environment, and our credit exposure at the end of 2021, we determined the targets of the climate stress test. The targets primarily focused on eight high-emitting sectors (power generation, building materials, iron and steel, non-ferrous metal, petrochemical, chemical, papermaking, and civil aviation) as well as some entities subject to Shanghai's carbon emissions allowance management. The stress test followed a bottom-up approach and used the NGFS Delayed Transition scenario. Under the stress scenario in 2030, it predicted the companies' financial performance, credit ratings, and probability of default.

According to the test results, our customers in high-emitting sectors face an increase in overall credit risk and a certain degree of credit downgrading under the stress scenario. Despite this, the impact on the Bank's overall capital adequacy ratio is limited, and the risk is generally manageable due to the low percentage of climate-related risk exposure.

07 Environmental Impacts of Investment and Financing Activities

7.1 Results of Green Finance Business

During the reporting period, the group's green finance business expanded significantly, including green credit, green bond investment, and green bond underwriting. Our green credit balance reached RMB 43.567 billion at the end of 2022, an increase of 120.32% from the end of 2021; the balance of on-balance sheet investment in green bonds reached RMB 9.034 billion, an increase of 150.94% from the end of 2021; and green bond underwriting amounted to RMB 3.03 billion, an increase of 38.99% from the end of 2021.

- **Green credit**

According to CBIRC criteria, our green loans invested in green industries such as energy conservation and environmental protection, clean production, clean energy, ecology and environment, green infrastructure upgrading, and green services achieved a balance of RMB 43.567 billion as of the end of 2022, an increase of 120.32% year on year. These loans mainly concentrated on green upgrading of infrastructure, energy conservation and environmental protection industries, and clean energy industries. Furthermore, we have organically integrated green finance with the finance for agriculture, rural areas, and rural residents, sci-tech innovation finance, and inclusive finance, and have seen significant growth in our business in green agriculture, rural areas, and rural residents, green science and innovation finance, and green inclusive finance.

Indicator		Unit	2021	2022
Green Credit	Balance of green credit	RMB 100 million	197.75	435.67
	-Balance of loans to the green upgrading of infrastructure	RMB 100 million	97.53	156.11
	-Balance of loans to energy conservation and environmental protection industries	RMB 100 million	36.46	113.97
	-Balance of loans to clean energy industries	RMB 100 million	40.57	84.22

Note:

1. Starting from 2022, the Bank discloses the green credit balance to the public based on the criteria of the CBIRC, covering on-balance sheet loans, off-balance sheet letters of credit, and promissory notes.
2. In the 2021 environmental information disclosure report released, the green credit balance was based on the criteria of the PBoC, while the data here is based on the criteria of the CBIRC, which is the reason for data differences.

- **Green bonds**

In terms of green bond investment, as of the end of 2022, the balance of our on-balance sheet investment in green bonds was RMB 9.034 billion, an increase of 150.94% from the end of the previous year. It included RMB 1.14 billion of investment balance in carbon neutrality bonds and RMB 0.3 billion in blue bonds.

SHRCB rose from 7th at the end of 2021 to 2nd at the end of 2022 in the Top 10 Urban Commercial Banks and Rural Financial Institutions, according to NAFMII's quarterly update of investors in green debt financing instruments.

Indicator		Unit	2020	2021	2022
On-Balance Sheet Investment in Green Bonds	On-balance sheet investment in green bonds	RMB 100 million	26.01	36.00	90.34
	Including, the balance of carbon neutrality bond investment	RMB 100 million	-	2.77	11.40
	the balance of green corporate bond investment	RMB 100 million		11.87	37.94

In terms of green bond underwriting, we underwrote green bonds worth RMB 3.03 billion during the reporting period, an increase of 38.99% compared to previous year.

Indicator		Unit	2020	2021	2022
Green Bond Underwriting	Scale of green bond underwriting	RMB 100 million	7.40	21.80	30.30
	Share of business under the same category	%	0.35	1.17	1.53

- Green financial leasing**

Yangtze Financial Leasing has seen its green leasing business growing year by year. By the end of 2022, the green leasing balance of Yangtze Financial Leasing was RMB 6.989 billion, accounting for 20.43% of the same type of business

Indicator		Unit	2020	2021	2022
Green Leasing	Balance of green leasing	RMB 100 million	60.98	63.21	69.89
	Share of business under the same category	%	20.68	19.08	20.43

Note:

1. In the 2021 environmental information disclosure report released, the green leasing balance was based on the criteria of the PBoC, while the data here is based on the criteria of the CBIRC, which is the reason for data differences.

- Green wealth management**

As of the end of 2022, our green wealth management balance was RMB 1.659 billion, an increase of 18.42% year-on-year.

Indicator		Unit	2020	2021	2022
Green wealth management	Balance of green wealth management	RMB 100 million	11.03	14.01	16.59
	Share of business under the same category	%	0.76	0.85	0.89

7.2 Environmental Impacts of Green Finance Business

• Environmental performance of our green credit

Regarding the environmental benefits of green credit, we conducted statistical measurements according to the guidelines for measuring energy saving and emission reduction in green credit projects from the General Office of the CBIRC's *Notice on the Work Concerning the Green Finance Statistical System*. The calculation includes on-balance-sheet corporate project loans. The primary sources are green credit project approval documents, energy conservation reports, feasibility study reports, environmental impact assessment reports, and project measurement data.

The environmental benefits attributed to our green loans are calculated using energy saving and emission reduction data from green projects and the ratio of the balance of our loans for such projects to the total project investment.

Under the principle of prudence, only the available and measurable environmental benefits of green credit projects have been collected. As of the end of 2022, we had included 56 green project loans in environmental benefit measurement, with a balance of RMB 5.421 billion. They accounted for 39.71% of the total number of green project loans and 29.08% of the balance.

Environmental Benefits of SHRCB's Green Credit Projects

Indicator	Unit	2022
Coal equivalent saved	ton	622,100.70
Emission reduction in CO ₂ equivalent	ton	1,924,160.03
Chemical oxygen demand (COD) emission reduction	ton	4,689.80
Ammonia nitrogen (NH ₃ -N) emission reduction	ton	390.23
SO ₂ emission reduction	ton	5,333.37
NO _x emission reduction	ton	1,517.99
Particulate matter emission reduction	ton	37.20
Total nitrogen emission reduction	ton	422.94
Total phosphorus emission reduction	ton	71.16
Water saved	ton	75,891.07

Note:

1. The energy saving and pollutant emission reduction data of environmental benefits adopts the lower of that from project materials and measurement results, as required by the *Notice on the Work Concerning the Green Finance Statistical System* issued by the General Office of the CBIRC.

Case: A newly built sewage treatment project

The project treated 16,471,565.00 tons of sewage in 2022. The project's loan balance with in 2022 was RMB 33 million, and the total investment amount of the project was RMB 60 million. Our loan support ratio = loan balance / the total investment amount of the project = 55.00%.

Under the principle of prudence, the annual sewage treatment amount of the project is based on the lower value before and after project implementation.

(1) Chemical oxygen demand (COD) emission reduction

The average COD concentration of the outcome before and after project implementation was 363.00 mg/L

and 16.80 mg/L, respectively.

Therefore, the project's COD reduction in 2022 was:

Annual sewage treatment amount \times (Average COD concentration of intake – Average COD concentration of outcome) = 5,702.46 tons

The part attributed to the Bank's support:

$5,702.46 \times 55.00\% = 3,136.35$ tons

(2) Ammonia nitrogen (NH₃-N) emission reduction

The average NH₃-N concentration of the outcome before and after project implementation was 15.90 mg/L and 0.09 mg/L, respectively.

Therefore, the project's NH₃-N reduction in 2022 was:

Annual sewage treatment amount \times (Average NH₃ – N concentration of intake – NH₃ – N concentration of outcome) = 260.42 tons

The part attributed to the Bank's support:

$260.42 \times 55.00\% = 143.23$ tons

(3) Total nitrogen (TN) emission reduction

The average TN concentration of the outcome before and after project implementation was 38.90 mg/L and 6.69 mg/L, respectively.

Therefore, the project's TN reduction in 2022 was:

Annual sewage treatment amount \times (Average TN concentration of intake – TN concentration of outcome) = 530.55 tons

The part attributed to the Bank's support:

$530.55 \times 55.00\% = 291.80$ tons

(4) Total phosphorus (TP) emission reduction

The average TP concentration of the outcome before and after project implementation was 5.34 mg/L and 0.09 mg/L, respectively.

Therefore, the project's TP reduction in 2022 was:

Annual sewage treatment amount \times (Average TP concentration of intake – TP concentration of outcome) = 86.48 tons

The part attributed to the Bank's support:

$86.48 \times 55.00\% = 47.56$ tons

Case: A clean energy power generation project

The project is a wind power project in Shanghai, which supplied 563,021,066 kWh of power in 2022. In 2022, the project's loan balance was RMB 173,314,600 and the total investment amount of the project was RMB 2,405,170,700. Our loan support ratio = loan balance / the total investment amount of the project = 7.20%.

(1) Coal equivalent saved

The calculation of coal equivalent saved is based on the national coal consumption of thermal power supply. The national average coal consumption of thermal power units over 6,000 kW in 2020 was 0.307 kg of coal equivalent/kWh. Therefore, the annual coal consumption saved in power supply of the project was:

The project's annual power supply \times National coal consumption of thermal power supply = 172,847.47 tons of coal equivalent

The part attributed to the Bank's support:

$172,847.47 \times 7.2\% = 12,445.02$ tons of coal equivalent

(2) Carbon dioxide (CO₂) emission reduction

CO₂ emission reduction is calculated based on the East China regional power grid baseline in 2017. The annual carbon emission reduction from the project was:

The project's annual power supply \times Regional grid CO₂ baseline emission factor = 409,048.88 tons of CO₂ equivalent

The part attributed to the Bank's support:
 $409,048.88 \times 7.2\% = 29,451.52$ tons of CO₂ equivalent

(3) Sulfur dioxide (SO₂) emission reduction

The calculation of SO₂ emission reduction is based on the national coal consumption for thermal power, the local average sulfur content of coal, and the SO₂ release coefficient (pollution generation coefficient) of thermal/coal units nationwide. The SO₂ emission reduction from the project was:

$\frac{\text{The project's annual power supply}}{\text{Raw coal to standard coal coefficient}} \times \text{National average coal consumption for thermal power supply} \times$
 $\text{Average sulfur content of coal in the project location} \times \text{Pollution generation coefficient} = 4,936.42$ tons

The part attributed to the Bank's support:
 $4,936.42 \times 7.2\% = 355.42$ tons

(4) Nitrogen oxide (NO_x) emission reduction

The calculation of NO_x emission reduction is based on the national coal consumption for thermal power and the NO_x release coefficient (pollution generation coefficient) of thermal/coal units nationwide. The NO_x emission reduction from the project was:

$\frac{\text{The project's annual power supply}}{\text{Raw coal to standard coal coefficient}} \times \text{National average coal consumption for thermal power supply} \times$
 $\text{Average sulfur content of coal in the project location} \times \text{Pollution generation coefficient} = 798.54$ tons

The part attributed to the Bank's support:
 $798.53 \times 7.2\% = 57.49$ tons

Case: A green civil building project

The project is a green civil building project in Shanghai. The loan balance of the project with the Bank in 2022 was RMB 449,413,200, and the total investment amount of the project was RMB 1,757,613,200. The Bank's loan support ratio = the Bank's loan balance / the total investment amount of the project = 25.57%.

According to the project's feasibility study report and other relevant documents, the project saves 6,000 tons of coal equivalent and reduces CO₂ emissions by 380.00 tons of CO₂e. It can reduce 60.00 tons of COD, 72.00 tons of NH₃-N, 42.00 tons of SO₂, and 35.00 tons of NO_x every year.

Therefore, the part attributed to the Bank's support was:

Emission Reduction of the Company's Green Civil Building Project

Indicator	Unit	Environmental Benefits of the Project	Environmental Benefits Attributed to the Bank's support
Energy saved	ton of coal equivalent	6,000.00	1,534.20
Emission reduction in carbon dioxide equivalent (CO ₂ e)	ton of CO ₂ e	380.00	97.17
Chemical oxygen demand (COD) emission reduction	ton/year	60.00	15.34
Ammonia nitrogen (NH ₃ -N) emission reduction	ton/year	72.00	18.41
Sulfur dioxide (SO ₂) emission reduction	ton/year	42.00	10.74
Nitrogen oxides (NO _x) emission reduction	ton/year	35.00	8.95

Note:

1. The environmental benefits of green civil construction projects include energy saved, the reduction of CO₂, COD, NH₃-N, SO₂, NO_x, particulate matter, and volatile organic compounds, and water saved. The data shall be extracted and calculated based on the Energy Conservation Report, the Environmental Assessment Report, the Feasibility Study Report, and other project documents.

Case: A Shanghai company's renewable energy utilization project

The project is a biomass power project in Shanghai, which has been put into operation. The loan balance of the project with the Bank in 2022 was RMB 949,420,000, and the total investment amount of the project was RMB 4,673,354,100. The Bank's loan support ratio = the Bank's loan balance / the total investment amount of the project = 37.00%.

(1) Energy saved

The calculation of energy saved is based on the national coal consumption of thermal power supply. The project supplied 754,010,000 kWh of electricity in 2022. The national average coal consumption of thermal power units over 6,000 kW in 2020 was 0.307 kg of coal equivalent/kWh. Therefore, the annual coal consumption saved in power supply of the project was:

The project's annual power supply × National coal consumption of thermal power supply =
231,481.07 tons of coal equivalent

The part attributed to the Bank's support:

231,481.07 × 37.00% = 85,647.99 tons of coal equivalent

(2) Sulfur dioxide (SO₂) emission reduction

The calculation of SO₂ emission reduction is based on the national coal consumption for thermal power, the local average sulfur content of coal, and the SO₂ release coefficient (pollution generation coefficient) of thermal/coal units nationwide. The SO₂ emission reduction from the project was:

$\frac{\text{The project's annual power supply}}{\text{Raw coal to standard coal coefficient}} \times \text{National average coal consumption for thermal power supply} \times$

Average sulfur content of coal in the project location × Pollution generation coefficient = 6,610.97 tons

The part attributed to the Bank's support:

6,610.97 × 37.00% = 2,446.06 tons

(3) Nitrogen oxides (NO_x) emission reduction

The calculation of NO_x emission reduction is based on the national coal consumption for thermal power (0.307 kg of coal equivalent/kWh) and the NO_x release coefficient (pollution generation coefficient) of thermal/coal units nationwide (3.30 kg/ton). The NO_x emission reduction from the project was:

$\frac{\text{The project's annual power supply}}{\text{Raw coal to standard coal coefficient}} \times \text{National average coal consumption for thermal power supply} \times$

Pollution generation coefficient = 1,069.42 tons

The part attributed to the Bank's support:

1069.42 × 37.00% = 395.68 tons

- Carbon reduction benefits of green bond investment**

We have collected the carbon emission reduction benefits of the green bonds we invested in. The annual carbon emission reduction benefits attributed to our green bond investments are calculated based on the annual carbon emission reduction data supported by green bond proceeds and the Bank's investment balance in green bonds as a percentage of total bond proceeds, with reference to the guidelines for the energy conservation and emission reduction measurement of green credit projects from the CBIRC Shanghai Office's *Notice on the Work Concerning the Green Finance Statistical System* (CBIRC Shanghai Office Notice [2022] No. 87).

$$\begin{aligned} & \text{Annual carbon emission reduction attributed to green bond investments} \\ &= \sum \text{Annual carbon emission reduction supported by green bond proceeds} \\ & \times \frac{\text{Green bond investment balance}}{\text{Total green bond proceeds}} \end{aligned}$$

Among them, the annual carbon emission reduction supported by green bond proceeds is preferentially to use the data from third-party verification reports and the prospectus. If there is no directly available data, it will be calculated based on the annual carbon emission reduction of the projects and the proportion of the amount of proceeds spent on the relevant green projects to the total investment amount of the projects.

Green bonds without available data or carbon emission reduction benefits are not included. As of the end of 2022, we had included 41 green bonds in the measurement carbon emission reduction, with an investment balance of RMB 4.86 billion. They accounted for 55.41% of the total number of green bonds and 53.80% of the balance.

Indicator	Unit	2022
Carbon emission reduction attributed to green bond investments	10,000 tons of CO ₂ e	39.35

- **Carbon footprint of our investment and financing activities**

During the reporting period, we trialed the measurement of carbon emissions from investment and financing. We conducted carbon emission measurement for our on-balance sheet corporate loans using the methodology of the Partnership for Carbon Accounting Financials (PCAF) for the measurement of carbon emission from loans.

Financed emissions

$$= \sum \frac{\text{The Bank's loan outstanding amount with the enterprise}}{\text{The enterprise's total assets}} \times \frac{\text{The enterprise's annual carbon emissions}}{\text{The enterprise's total assets}}$$

Of which:

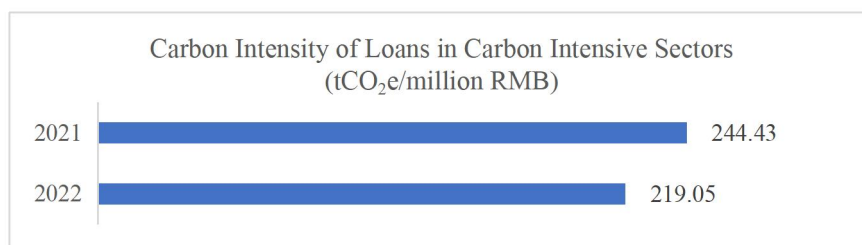
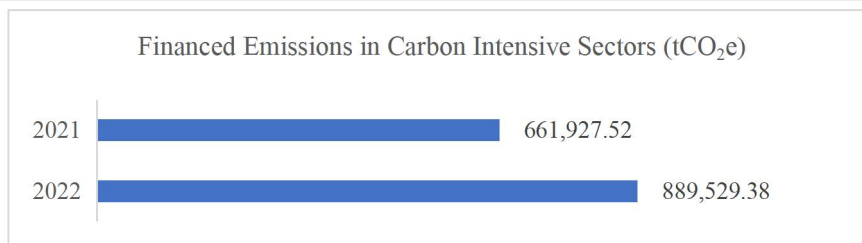
1. The enterprise's annual carbon emissions: We used data from SynTao Green Finance's corporate carbon emission database, which includes both self-disclosed emissions and modelled estimates. In data selection, we gave priority to the data disclosed by enterprises. When an enterprise had not disclosed its carbon emission data or the data was incomplete, we used the modelled estimates.
2. The enterprise's total assets: Following the PCAF's methodology, for listed companies, the total assets are their enterprise value including cash, which is the sum of the market capitalization at fiscal year-end and the book values of total debt; for non-listed companies, the total assets are the sum of total equity and debt.
3. Data limitations: As of the publication of the report, our clients' 2022 annual reports had not been released, and their carbon emission data and total assets for 2022 were not available. Therefore, when calculating the financed emissions for 2022, we followed the PCAF's recommendation and used the most recent available data, i.e., enterprises' carbon emissions in 2021/total assets in 2021, as the most recent available carbon intensity of enterprises.

As of the end of 2022, we had put a loan balance of RMB 314.636 billion under measurement, whose total financed carbon emissions were 6,574,177.33 tons of CO₂e and the carbon intensity was 20.89 tons of CO₂e/million RMB.

Indicator	Unit	2021	2022
Total financed emissions	ton of CO ₂ e	4,835,394.03	6,574,177.33
Year-end loan balance	RMB 1 million	277,645.13	314,636.13
Carbon intensity of the loans	ton of CO ₂ e/million RMB	17.42	20.89

Among them, the total financed carbon emissions in carbon intensive sectors¹ were 889,529.38 tons of CO₂e and the carbon intensity was 219.05 CO₂e/million RMB, a decrease of 10.39% compared to the intensity of 2021.

Indicator	Unit	2021	2022
Total financed emissions of carbon intensive sectors	ton of CO ₂ e	661,927.52	889,529.38
Year-end loan balance of carbon intensive sectors	RMB 1 million	2,708.03	4,060.93
Carbon intensity of the loans in carbon intensive sectors	ton of CO ₂ e/million RMB	244.43	219.05



In the future, we will further analyze our financed emissions to lay the groundwork for optimizing our loan portfolio, reducing our financed emissions, and seeking net zero at the asset level. Meanwhile, we will continue to follow the development of financed emission measurement methodologies and basic data in China and abroad and continuously improve our measurement methods and tools.

¹ Carbon intensive sectors refer to the eight carbon intensive sectors listed in the Ministry of Ecology and Environment's *Notice on Key Work Related to the Management of Enterprise Greenhouse Gas Emissions Reporting in 2022* (Environmental Affairs Office Climate Letter [2022] No. 111), including power generation, building materials, iron and steel, non-ferrous metals, petrochemicals, chemicals, paper, and civil aviation.

08 Environmental Impacts of Own Operation

8.1 Green Operation

In response to the national strategic goals of carbon peaking and carbon neutrality, we practice sustainability throughout our business and management, vigorously promote green operation, and fulfill our environmental and social responsibilities.

- **Green office**

We actively advocate for green office practices. We have improved our video conferencing system, optimized the collaborative office system, and promoted paperless meetings and electronic file management. We have set up systems to reduce unnecessary energy consumption to strengthen the meticulous management of office spaces, official vehicles, meeting rooms, warehouses, and other properties. A printing management system is installed in the office area of the headquarter building, starting with details such as setting default double-sided printing ensuring that office paper consumption is reduced.

	Unit	2021	2022
Videoconferencing	session	1,289	4,384

Resource Consumption	Unit	2021	2022
Business office paper consumption	ton	45.15	37.43
Paper consumption per capita	ton/person	0.01	0.01
Office water consumption	ton	9,593	9,605
Office water consumption per capita	ton/person	7.9	6.4

Note:

1. The data of business office paper consumption cover the Bank's Head Office and Zhangjiang Data Center, and the data of water consumption cover only the Head Office.

Waste Management		Unit	2021	2022
Non-hazardous wastes	Disposal volume of electronic and office supplies	piece	16,099	13,605
	Disposal volume of kitchen waste	ton	53	67
Hazardous wastes	Disposal volume of toner cartridges	ton	7.5	6.9

Note:

1. The data of the disposal volume of electronic and office supplies cover the Bank's Head Office and 21 branches in Shanghai.

2. The data of the disposal volume of kitchen waste and hazardous waste cover the Bank's Head Office.

- **Energy saving**

In recent years, we have continued our efforts to build an energy monitoring system for the Bank's business outlets for more scientific, accurate, and authentic monitoring of the Bank's overall energy consumption data to provide strong data support for energy consumption and energy conservation potential. In 2022, we completed an energy data statistics platform, improved data filling, and strengthened energy auditing, energy-conservation monitoring, and energy consumption information reporting.

The upgraded "Xin Project" platform can provide real-time feedback and data summary of remote monitoring and analytical data support for energy use and efficiency improvement.

Energy Consumption	Unit	2021	2022
Natural gas consumption	m ³	280,907.42	307,874.53
Natural gas consumption per capita	m ³ /person	29.08	29.21
Diesel consumption	L	41,425.58	30,389.53
Diesel consumption per capita	L/ person	4.29	2.88
Gasoline consumption of self-owned vehicles	L	363,774.65	309,208.45
Diesel consumption of self-owned vehicles	L	4,143.96	11,581.24
Purchased electricity	kWh	66,992,893.34	73,558,196.89
Electricity consumption per capita	kWh/person	6,935.80	6,978.29

Note:

1. The data cover the Bank's Head Office and 21 branches in Shanghai.

- **Green data center**

We pursue the construction of a green data center. In 2022, we designated a third-party professional company to conduct a building energy audit of our Zhangjiang Data Center to tap energy-conservation potential, improve equipment efficiency, and effectively implement energy conservation and emission reduction measures. The PV panels on the cross-street overpass of our data center generate about 480,000 kWh of power every year, which saves 156 tons of coal equivalent and reduces CO₂ emissions by 130 tons, carbon dust emissions by 475 tons, SO₂ emissions by 14.32 tons, and NO₂ emissions by 7.16 tons. Zhangjiang Data Center has adopted a number of energy-conservation measures such as intelligent water temperature regulation and staggered power consumption, which saves more than RMB 400,000 in electricity bill throughout the year.

- **Green travel**

We encourage our employees to use public transport by increasing publicity. In addition, we increase the proportion of hybrid and purely electric vehicles for official use to reduce fuel consumption and exhaust emissions and achieve environmental protection, energy conservation, and efficiency enhancement.

- **Own carbon footprint management**

We actively manage our own carbon footprint and measure the carbon emissions of our own operations during the reporting period.

GHG Emissions	Unit	2021	2022
Total greenhouse gas (GHG) emissions	ton of CO ₂ e	40,438.55	43,396.69
Scope 1: Direct GHG emissions	ton of CO ₂ e	1,515.68	1,446.45
Scope 2: Indirect GHG emissions	ton of CO ₂ e	38,922.87	41,950.24
GHG emissions per capita	ton of CO ₂ e/person	4.19	4.12
GHG emissions per unit of area	ton of CO ₂ e/m ²	0.07	0.07

Note:

1. The data cover the Bank's Head Office and 21 branches in Shanghai.
2. GHG emissions calculation method: GHG emissions are calculated by multiplying the consumption of various types of energy and resources by the corresponding emission factors.

The CO₂ emission factors of Scope 1 (gasoline and diesel) are based on the *Greenhouse Gas Emission Accounting Methodology and Reporting Guidelines for Land Transportation Enterprises (Trial)* (2015) and *China Energy Statistical Yearbook 2021* (2022).

The CO₂ emission factors of Scope 1 (natural gas) are based on *Corporate Greenhouse Gas Emissions Accounting Methodology and Reporting Guide for Power Generation Facilities* (2022) and *China Energy Statistical Yearbook 2021* (2022).

The CO₂ emission factors of Scope 2 (purchased electricity) are based on the *Notice on the Work related to the Management of Greenhouse Gas Emissions Reporting in the Power Generation Industry in 2023-2025*. The emission factors in 2021 were based on the *Corporate Greenhouse Gas Emissions Accounting Methodology and Reporting Guide for Power Generation Facilities* (2022).

• Carbon neutral sub-branch

Our Zhangjiang Science and Technology Sub-Branch achieved carbon neutrality in 2021, becoming the first banking operation site in Shanghai in this regard. From November 2021 to October 2022, Zhangjiang Science and Technology Sub-Branch's carbon emissions were 86.05 tons, a 44% decrease from that between November 2020 and October 2021.



• Green buildings

We are committed to green buildings. In the construction of business outlets, we prioritize green, environmental protection, health, and low-carbon emissions. In the construction of pilot outlets, we have utilized a

variety of new materials and techniques, including negative oxygen-ion panels, diatom mud, silica calcium fireproof panels, natural moss walls, anechoic and acoustic furniture screens, and energy-efficient lighting, air conditioning, sanitary ware, and other equipment. We have eliminated heavily polluting and energy-consuming finishing materials and have sought out and utilized healthy and environmentally-friendly materials.

8.2 Green Procurement

We adhere to the concept of green procurement and implement “carbon-peaking and carbon-neutrality” requirements in procurement. To practice green procurement, we have incorporated “green and environmental protection performance” into the technical scoring of centralized procurement projects and included the carbon neutral certificate and environmental management system certification (ISO14001) of suppliers as one of the procurement scoring elements. We prioritize electronic devices with the national 3C certification and green and environmental protection mark in our procurement, taking into account environmental protection, resource conservation, safety, health, circulation, low carbon, and recycling. Furthermore, we encourage the use of online procurement methods such as e-procurement to reduce energy consumption and carbon emissions during the procurement process. At the same time, we follow the principle of “Three Don'ts” in procurement. We do not purchase products or services from enterprises that violate environmental protection laws and regulations; we do not purchase inferior products that are explicitly eliminated by the state and products made with inferior production capacity and inferior process equipment; and we do not purchase products containing toxic and harmful substances that the state prohibits. We prioritized purchasing equipment with China Energy Label Level 1 during the reporting period. Our vehicles are also transitioning NEVs and hybrids.

09 Data Sorting, Verification, and Protection

9.1 Green Credit Data Management

- **Enhancing the quality of green credit data**

In terms of data quality, we continuously work on sorting and verification of our green credit data to ensure a more precise classification of green credits and timely reporting of green finance data. During the reporting period, to improve the quality of our green finance data, we carried out a full volume review of our existing green loan data from 2021 and 2022, supplemented with regular and irregular spot checks and validation. Through several rounds of training on green business standards for relevant departments and branches, we strive to increase business representatives' and risk managers' awareness of green loan standards.

9.2 Data Security and Subject Rights

- **Clarifying data security management responsibilities**

We have established a Cybersecurity and IT Task Force to coordinate, organize, and take the lead in data security work, and to review major data security management issues. The Fintech Department of the head office leads our data security work, and is responsible for formulating and optimizing data security management regulations, processes, standards, and strategies, as well as promoting the application of relevant technologies, and coordinating risk screening and assessments. The head office's Financial Planning Department is responsible for leading the bank-wide sorting of data assets and organizing the security grading of the Bank's data assets.

- **Improving data security management systems**

We have developed and issued the *Management Measures of SHRCB for Data Security* and other policies, and set standards for bank-wide data security management and security grading, as per the *Data Security Law of the People's Republic of China*, the *Financial Data Security and Data Life Cycle Security Specification (JR/T0223-2021)*, and relevant regulatory requirements. According to the grading standards, our data departments are responsible for determining the data security level in their respective business areas. Furthermore, we have established security strategies and standards for data collection, transmission, storage, use, deletion, and destruction, thereby bolstering the Bank's data security management, protecting customer privacy, mitigating data security risks, and ensuring data confidentiality, integrity, and availability.

- **Enhancing data protection for customer information**

In terms of data collection and protection, we state unequivocally that the collection of personal information shall adhere to the minimum and necessary principle and that such practice shall be directly related to business. Before collecting and using personal information, the purpose, manner, and scope of collection and use must be made clear, the rules of collection and use must be disclosed, and the subject of personal information must give their express consent. Control measures must be implemented to ensure that personal information and important data are not leaked during the collection process and that customer privacy is protected in accordance with the law. We have classified the Bank's data into different security levels according to the object and the degree of impact caused by the potential breach of data security according to the classification of personal financial information in

the *Personal Financial Information Protection Technical Specification* (JR/T0171-2020) and the data grading rules in the *Guidelines for Financial Data Security and Data Security Classification* (JR/T0197-2020). Security policies and standards have been set for data at different security levels in data collection, transmission, storage, use, deletion, and destruction scenarios. We have conducted a special security assessment on mobile internet application user data collection policies and personal privacy protection and have confirmed that we meet relevant national standards.

- **Increasing employees' cybersecurity awareness**

We have a group-wide cybersecurity training mechanism, and we organize regular cybersecurity awareness training for all employees and provide intensive professional training for key positions in terms of security awareness. These multi-dimensional online and offline training sessions in various forms and levels raise employees' cybersecurity awareness. Furthermore, we host phishing email drills on a regular basis to test the training effect.

9.3 Data Security Contingency Plan

Regarding contingency plans, we have developed the *SHRCB Special Contingency Plan for Cybersecurity Incidents*, which is reviewed and evaluated at least once a year. The contingency plan specifies the structure and responsibilities of the contingency organization and the emergency response process for security incidents. We establish cybersecurity monitoring and early warning mechanisms, conduct regular risk assessments and hidden danger investigations, and take effective measures in a timely manner to enhance our security incident response. We conduct relevant emergency drills according to the emergency drill plan in order to test and improve our emergency response process and ensure the effectiveness of our contingency plan.

10 Innovation and Research Results of Green Finance

10.1 External Collaboration

We have signed strategic collaboration agreements and established long-term collaboration mechanisms with the Shanghai Municipal Bureau of Ecology and Environment, the Shanghai Environment and Energy Exchange and other agencies to collaborate in carbon peaking and carbon neutrality areas, and to open up trading and pledging channels for carbon emission rights pledging.



Signing strategic collaboration agreements with the Shanghai Municipal Bureau of Ecology and Environment, the Shanghai Environment and Energy Exchange, and other agencies

We join hands with our peers to support green and low-carbon regional development. During the reporting period, as one of the eight partner banks, we signed the *Memorandum of Understanding on Financial Cooperation for Shanghai Green and Low-carbon Industrial Development* with the Shanghai Municipal Commission of Economy and Informatization. According to the document, we will provide financial support for the innovation and application of green and low-carbon technology in industrial enterprises, as well as green upgrading and transformation, and the resumption of production of small and medium-sized enterprises (SMEs) focusing on energy-saving and environmental protection. Under this cooperation framework, green and low-carbon industrial development includes but is not limited to, green and low-carbon industrial projects, green manufacturing system construction, clean industries of energy conservation and environmental protection, and contract energy management projects.

10.2 Prospective Studies

We actively work with external institutions for green finance research. In 2022, we were engaged in the green research of the Shanghai Banking Association (SBA), a key research project of the Shanghai Finance Society, and the green finance research and surveys of Shanghai United Credit and the Shanghai Academy of Development and Reform, and published a number of research findings in the reporting period. In the SBA's green research working group, we collaborated with other members to conduct the *Toward a Green and Low-Carbon Future: A Study on the Progress of Carbon Finance Business of Shanghai Financial Institutions*. At a seminar on carbon finance held by the SBA's Financial Market Committee, we completed a research report

entitled *Practice of and Reflections on Carbon Finance Business in the Shanghai Banking Industry*. Supported by the key research project of the Shanghai Finance Society, we researched rural financial institutions' support models for rural green finance and won an award of excellence. In the future, we will further collaborate with external institutions to conduct more prospective and strategic research.

Within the Bank, competent departments have set up a cross-sectional Green Finance Study Groups. It progresses research on a number of key green finance topics and conducts regular intensive studies and discussions on the latest industry dynamics, theoretical approaches, and peer cases in green finance.

Business representatives at our branches have set up industry research teams for industries that follow the low carbon trend, such as green agriculture, new energy, and NEVs. Through in-depth understanding of corporate clients and regular team-based research discussions, we consolidated the foundation of industry research and promoted the commercialization of research results and business conversion. They have released several industry research reports on green finance, including *Agriculture Research Series: Research on the Livestock and Poultry Breeding Chain*, *Research on the Agricultural Feed Segment*, and *Realizing the Vision of Carbon Neutrality Needs Supporting Investment and Financing Services from Banks*. In the future, they will explore the application of industry research results in green credit business and introduce a compilation named *Green Credit Marketing Plans*, which will cover major industries in green credit. They also plan to promote the research model of "1+1+N", which means "1 intensive study of green credit industry supported by 1 industry chain list and N special green credit products".

During the reporting period, our front, middle, and back-office departments researched on carbon finance, rural green finance, green bond pricing, and credit granting in the PV industry, among other topics. They co-authored with internal departments and external institutions and published *Research on Rural Financial Institutions' Support Models for Rural Green Finance*, *Research on Green Bonds in the Power Generation Industry under the Carbon Peaking and Carbon Neutrality Goals*, *Carbon Neutrality Bonds' Current Application and Options for Future Innovations in Practice*, *Green Finance Research and Development Recommendations: From the Perspective of Non-credit Business*, and *The PV Industry Research Report*. We have also set up a research team on green operations and exchanged ideas with external organizations such as the Shanghai Environment and Energy Exchange and Shenergy Carbon Technology to explore a carbon neutral path for our operations.

11 Technology Support and Capacity Building

11.1 Green Financial Management System

The first phase of our green financial business management system was developed and implemented orderly during the reporting period to improve our digital green financial management and data quality. The system contains the functional modules of intelligent identification of green assets, environmental benefit measurement, regulatory reports, information disclosure, project management, and relevant statistical inquiries. Green identification and classification of corporate and personal business loans have been conducted in the system since its launch, ensuring accurate green identification as well as more scientific and timely green credit data management and reporting. In 2023, we plan to release the second phase of the green financial business management system. It will enable the embedded and seamless interaction of the green financial system with business systems such as the corporate credit management system and the retail credit management system. This action will promote the online integration of green business and operation management and significantly enhance the Bank's IT-enabled and centralized management of green finance and financial services.

Furthermore, we use fintech to facilitate carbon financial product innovation. We collaborated with the Shanghai Environment and Energy Exchange to develop a carbon trading system during the reporting period. Once completed, the system will be directly connected to the carbon trading system of the Shanghai Environment and Energy Exchange and will promote customer carbon account opening, thereby better satisfying customers' carbon finance needs.



11.2 The Xin Project Energy Management Platform

We constantly improve our green operation management. We have built and are constantly improving the Xin Project energy management platform to more scientifically, accurately, and truthfully monitor our energy consumption data and strengthen energy audits and conservation monitoring. The Xin Project, an energy management platform, was upgraded during the reporting period. The system can now provide immediate feedback and data summaries from remote monitoring and analytical data support for energy use, energy

efficiency improvement, and further progress in the construction of carbon-neutral business outlets and energy-conservation renovation of existing outlets.

11.3 Green Financial Capacity Building

We attach importance to green finance workforce development and employee training. Our green finance training is led and progressed by relevant business lines and coordinated and hosted by the Human Resources Department's Education and Training Center. In 2022, relevant departments, offices, and some of our branches hosted 42 green finance training sessions for employees, facing employees at corporate finance business line, the Risk Management Departments of the head office and branches, and market team leaders at the branches. These in-person and online training sessions covered green finance topics including the carbon peaking and carbon neutrality objectives, green credit development, green finance classification standards, and the operation of green financial management systems. Our online training platform also includes green finance courses. The HEROS course library at the head office contains 50 video training courses on green finance, such as courses on the green financial system and green credit classification standards. By the end of 2022, more than 6,000 attendees had enrolled in online courses.

In addition to systematic training programs, we provide internal short-term training on a variety of key topics. During the reporting period, we completed full-coverage green finance training and site visits for all of the Bank's branches and subsidiaries. Offline training was provided to branches in Shanghai, while online training was provided to three branches outside of Shanghai. During the training, the head office summarized Shanghai's development plans for carbon peaking and carbon neutrality, the Bank's green credit distribution structure, branch business progress, and industry concentration. As a result, it aided branches in finding key points on future business development. The head office also explained and specified the Bank's management requirements for green business identification and classification standards, process management, and system operation. Furthermore, the Bank's head office invited external experts to deliver special training sessions according to the characteristics of various operating institutions in order to assist branches in locating more potential green customers, thereby intensifying green business expansion.

Yangtze Financial Leasing, our subsidiary, also offers green finance training. In this way, it popularizes green finance knowledge throughout the company, improves the professional capabilities of business representatives, and provides expertise to ensure the development of green leasing. Yangtze Financial Leasing hosted nine green finance training sessions in 2022 on topics such as new energy, PV, green power, and other industry topics.

12 Outlook

China has embarked on a new journey to build a modern socialist country in all respects. It is the inherent requirement of China's high-quality development to thoroughly implement the new development philosophy, work toward carbon peaking and carbon neutrality goals, strengthen the construction of ecological civilization, and promote economic and social transitions, upgrading, and sustainable development. SHRCB, a local bank with long-standing roots in Shanghai, will contribute to the economic transition. In the future, we will uphold the firm conviction, keep abreast of the times, and rise to challenges. Under the green development philosophy, we will continue to march alongside our stakeholders. According to our green strategic objectives and roadmap to carbon peaking and carbon neutrality, we will develop and launch more green financial products and services, facilitate green finance to support the real economy, and grow into "the most typical green bank in the Yangtze River Delta."

In 2023, we will better coordinate all of the Bank's resources to promote green development, with a focus on the five core sectors of green energy, energy conservation and environmental protection, low-carbon and intelligent manufacturing, green construction, and green agriculture, contributing to green economic and social development. Green finance will be vigorously promoted by us. To that end, we will strengthen our strategic planning and policy system, strengthen our organizational structure and management system, and optimize our green finance product system. We will encourage system development and stress testing, look for a prospective climate-related risk management system, and improve our information disclosure. We will also strengthen our green financial awareness and social responsibility system and our efforts in green operations. As a result, we will establish a "green rural commercial bank" and lay the groundwork for China's carbon peaking and carbon neutrality goals.

Appendices

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6.4 Environment-related products and services innovation of the financial institution	04 Environment-Related Products and Services Innovation
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TCFD Indicator Index

Indicator Description	Corresponding Disclosure
Governance	
Describe the board's oversight of climate-related risks and opportunities	2.1 Board of Directors Level
Describe management's role in assessing and managing climate-related risks and opportunities	2.2 Senior Management Level
Strategy	
Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	6.1 Identification of Climate-Related Risks and Opportunities
Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	6.1 Identification of Climate-Related Risks and Opportunities
Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	6.2 Quantitative Analysis of Environmental Risks
Risk Management	
Describe the organization's processes for identifying and assessing climate-related risks	3.2 Green Finance Policies and Systems 5.1 Credit ESG Risk Management 5.2 Credit Bond ESG Risk Management 6.1 Identification of Climate-Related Risks and Opportunities
Describe the organization's processes for managing climate-related risks	5.1 Credit ESG Risk Management 5.2 Credit Bond ESG Risk Management
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	3.2 Green Finance Policies and Systems
Metrics and Targets	
Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	6.2 Quantitative Analysis of Environmental Risks
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	7.2 Environmental Impact of Green Finance Business 8.1 Green Operations
Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	1.3 Overview of Key Performance

