



威海市商业银行
WEIHAI CITY COMMERCIAL BANK

威海市商業銀行股份有限公司
WEIHAI CITY COMMERCIAL BANK CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 9677



2020

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT

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ABOUT THE REPORT

Weihai City Commercial Bank Co., Ltd. (“Weihai City Commercial Bank”, the “Bank” or “we”) is pleased to release its first environmental, social and governance report (the “Report”) to disclose the Bank’s environmental, social and governance (“ESG”) performance in relation to corporate social responsibility and sustainable development.

REPORTING SCOPE

Unless otherwise provided, this Report covers the head office, majority-owned subsidiaries and branches of Weihai City Commercial Bank. The environmental key performance indicator (“KPI”) data covers the head office of the Bank. The Report covers the same time frame as the Bank’s 2020 Annual Report, spanning from January 1, 2020 to December 31, 2020 (the “Reporting Period”).

REPORTING STANDARD

This Report is compiled in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The Report complies with the provisions of “Comply or Explain” under the ESG Reporting Guide.

REPORTING LANGUAGE

This Report is available in two languages, Chinese and English. Should there be any inconsistency, the Chinese version shall prevail.

REPORT APPROVAL

This Report was reviewed and approved by the board of directors (the “Board”) of our Bank on March 31, 2021 for release.

REPORT RELEASE

A soft copy of the Report is published on the official website of Weihai City Commercial Bank (www.whccb.com) and on the HKEx news of the Hong Kong Stock Exchange (www.hkexnews.hk).

REPORT FEEDBACK

The Bank highly values your feedback on this Report. Should you have any questions or suggestions, please contact us through the following channels:

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1. ABOUT US

1.1 COMPANY PROFILE

Founded in 1997, Weihai City Commercial Bank emerged from the financial reform in China. Since its establishment, the Bank has remained committed to its original aspiration and mission of serving the real economy, its market position of “Serving Local Economy, SMEs and Urban and Rural Residents”, its service concept of “Keeping Your Company with Sincerity”, its persistence in reform and innovation, development and transcendence, as well as a development path with its unique characteristics. Currently, the Bank has 120 branches in Jinan, Tianjin, Qingdao and other locations, taking the lead with its outlets “Covering the Entire Province” among the local corporate banks in Shandong Province. In 2016, we were the first financial institution in Shandong Province to set up a financial leasing company, which represented a substantial step in integrated operation. On October 12, 2020, the Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange and raised net proceeds of HK\$3.29 billion, all of which was used to supplement our core tier-one capital, thus further enhancing our capital strength and supporting the continuous growth of our business.

1.2 AWARDS AND HONORS

Leveraging on its quality service and good performance, Weihai City Commercial Bank has gained extensive acclaim from all walks of life. The Bank was rated as the “National Top 10 City Commercial Bank” for five consecutive years from 2016 to 2020 in Gold Medal Award of Chinese Financial Institutions · Golden Dragon Awards. It has repeatedly ranked first in the performance evaluation of local financial enterprises organized by Shandong Government. The Bank has a main credit rating of AAA and has successively won awards such as the “Best Bank with Chinese Characteristics”, the “Best Retail Bank in China”, the “Best Financial Service Institution for Small and Medium-sized Enterprises in China”, the “Demonstration Unit for Corporate Culture Construction in China’s Financial Industry”, the “First Batch of A-level Tax Paying Financial Units in Shandong Province”, the “Quality Award of Shandong Province”, and “Shandong Excellent Enterprise in Management Innovation”, which have significantly improved brand reputation and social influence. The main awards and honors of the Bank and under its leadership during the year are set out below.



1. About Us

1.2 AWARDS AND HONORS (CONT'D)

Major Awards and Honors of the Bank

Awards and Honors	Awarding Agency
 <p>The title of "Tribute to the Centenary of the Communist Party of China · Model Unit for Innovative Practice of Corporate Party Construction" (獻禮中國共產黨百年華誕·企業黨建實踐創新典範單位)</p> <p>The title of "Outstanding Achievements of Innovative Practice of Corporate Party Construction in the New Era" (新時代企業黨建實踐創新優秀成果)</p>	<p>Specialized Committee for Corporate Culture Management (企業文化管理專業委員會) of China Culture Administration Association (中國文化管理協會)</p>
 <p>Selection for the 2020 Financial Institution Gold Medal List (2020年金融機構金牌榜) – the Title of "Top Ten City Commercial Banks of the Year" (年度十佳城市商業銀行) for the fifth consecutive year</p>	<p>Financial News (金融時報社)</p>
 <p>Performance Evaluation of Local Financial Enterprises in 2020 – AAA Rating</p>	<p>Shandong Provincial Department of Finance (山東省財政廳)</p>
 <p>"Property e Loan" (房e貸) – "2020 Top Ten SME Financial Service Innovation Awards" (2020年十佳小微企業金融服務創新獎)</p>	<p>The Banker (《銀行家》雜誌)</p>
 <p>Selection of the Third (2020) China Financial Annual Brand Case Competition (第三屆(2020)中國金融年度品牌案例大賽評選) – "Integrated Marketing Annual Case Award" (整合營銷年度案例獎)</p>	<p>China Financial Publishing House Co., Ltd. (中國金融出版社有限公司), the Financial Brand Research Institute (金融品牌研究所) of Central University of Finance and Economics, and the Organizing Committee of China Financial Annual Brand Case Competition (中國金融年度品牌案例大賽組委會)</p>
 <p>Performance Evaluation of Local Financial Institutions in 2020 – No.1 in City Commercial Banks</p>	<p>Shandong Office of China Banking and Insurance Regulatory Commission (山東省銀保監局)</p>
 <p>Project of "Innovative Practice in the Digital Transformation of Consumer Finance Business" (消費金融業務數字化轉型發展的創新實踐) – First Prize of Innovation Achievement of Modern Corporate Management in Shandong Province</p>	<p>Review Committee for Innovation Achievement of Modern Corporate Management of Shandong Province (山東省企業管理現代化創新成果評審委員會)</p>
 <p>No.2 among the Top 50 Local Tax Paying Enterprises in Weihai in 2020 (2020年度威海市地方級稅收50強)</p>	<p>CPC Party Committee of Weihai City (中共威海市委員會) and the People's Government of Weihai City (威海市人民政府)</p>

1. About Us

1.2 AWARDS AND HONORS (CONT'D)

Major Awards and Honors of the Bank's Leaders

Awards and Honors	Awarding Agency
 <p>TAO Zunjian (陶遵建), chief accountant of our Bank (總會計師) – “National Model Worker” (全國勞動模範)</p>	Central Committee of the Communist Party of China (中國共產黨中央委員會) and the State Council of the People's Republic of China (中華人民共和國國務院)
 <p>WANG Xifeng (王希峰), president of the Tianjin Branch – “Tianjin Model Worker” (天津市勞動模範)</p>	Tianjin Municipal Trade Union (天津市總工會)
 <p>YANG Jingyi (楊靜怡), deputy general manager of the wealth management department – “Qilu Financial Star” (齊魯金融之星)</p>	Organization Department of Shandong Provincial Party Committee (山東省委組織部), Shandong Provincial Department of Finance (山東省財政廳), and Shandong Provincial Local Financial Supervision Bureau (山東省地方金融監管局)
 <p>SHANG Jinfeng (尚金鳳), general manager of No. 5 Marketing Department, Tianjin Branch – “Outstanding Individual for Youth Volunteer Service against the COVID-19 Epidemic of the National Financial System” (全國金融系統抗擊新冠肺炎疫情青年志願服務先進個人)</p>	Communist Youth League Central Financial Work Committee (中央金融團工委)

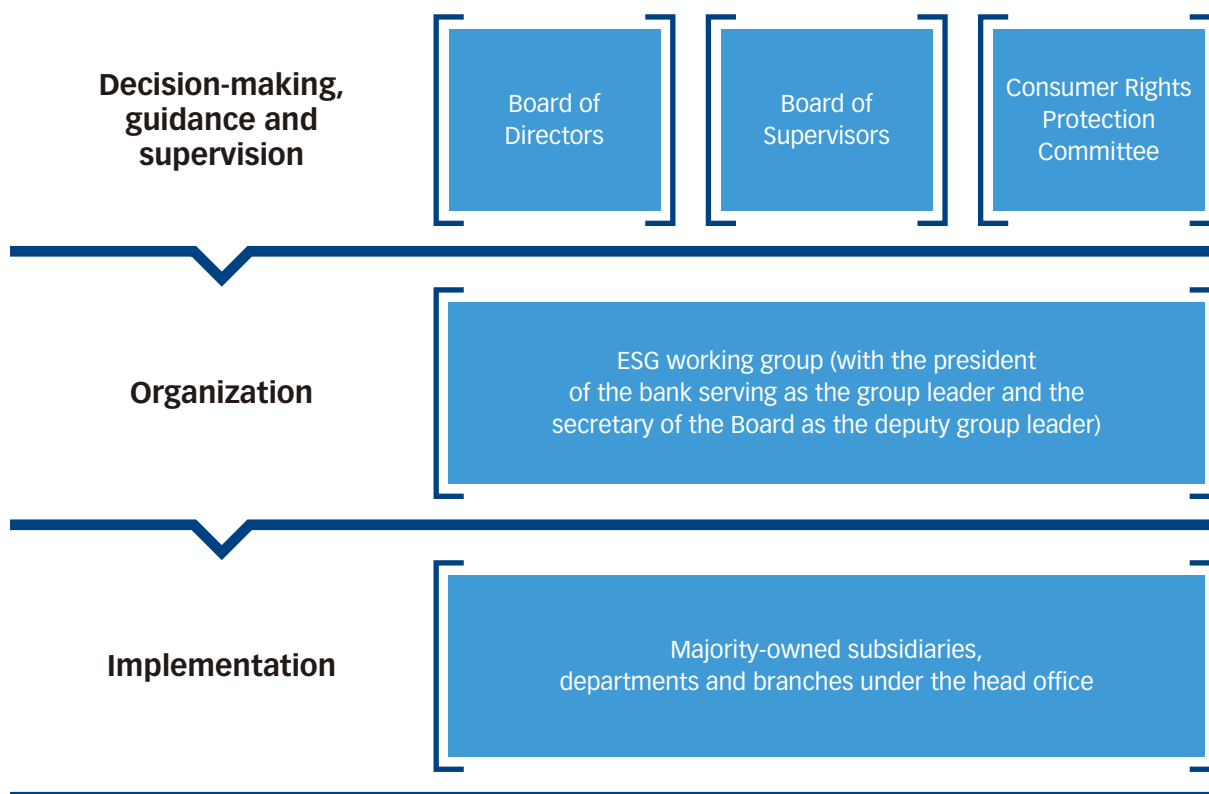
2. ESG MANAGEMENT

The Bank attaches great importance to ESG management and has established an ESG management structure headed by the Board, which clearly sets out the responsibilities of all levels within the management structure to effectively advance the Bank's ESG work. We actively establish a close communication with stakeholders through various channels to understand their expectations and requirements as an important basis for preparing our ESG policies and strategies.

2.1 ESG MANAGEMENT STRUCTURE

In order to integrate ESG concepts into the Bank's management guidelines, strategies, business plans and policies and actively fulfill its corporate social responsibilities, the Bank established an ESG management structure led by the Board covering all levels of the Bank, set up an ESG working group and clearly delineated responsibilities of all levels within the ESG management structure during the year. The Bank has established a sound ESG management structure to implement the ESG strategies, objectives and work in the Bank's daily operation and business.

ESG Management Structure



2. ESG Management

2.1 ESG MANAGEMENT STRUCTURE (CONT'D)

Decision-making, Guidance and Supervision

The Board, as the highest organ of authority in the Bank's ESG management structure, is responsible for the strategy and reporting of the Bank's ESG work.

Principal Responsibilities of the Board

- Reviewing and approving the Bank's ESG management guidelines, strategies, plans, objectives and annual work, including assessment, prioritization and management of material ESG matters, risks and opportunities;
- Authorizing the Consumer Rights Protection Committee under the Board to carry out ESG-related work and establishing the ESG risk management and internal control system, with such implementation supervised by the Board;
- Regularly reviewing ESG performance and the progress in achieving related objectives.

Principal Responsibilities of the Consumer Rights Protection Committee

- Reporting the ESG strategy and work status and working on annual ESG reports to the Board;
- Guiding the ESG working group to carry out relevant work;
- Giving opinions on the ESG risk management and internal control system.

Principal Responsibilities of the Board of Supervisors

- Overseeing the ESG management policies, strategies, plans, objectives and annual works;
- Overseeing the ESG risk management and internal control system;
- Overseeing the implementation of ESG-related policies and work by majority-owned subsidiaries, head office departments and branches.

2. ESG Management

2.1 ESG MANAGEMENT STRUCTURE (CONT'D)

Organization

Under the leadership of the Board, the senior management has set up an ESG working group, with the president of the Bank as the group leader and the secretary of the Board as the deputy group leader. The office of the ESG working group is set up within the Service Supervision Department (i.e. the office of the Consumer Rights Protection Committee of the Board), which leads the coordination of ESG work. Members of the group are the relevant department heads at the headquarters.

Principal Responsibilities of the ESG Working Group

- Identifying, assessing, reviewing and managing material ESG risks, opportunities and related matters;
- Preparing ESG management policies, strategies, plans, annual work and objectives for approval by the Board;
- Continuously tracking and reviewing ESG-related performance and progress in achieving the objectives;
- Regularly reporting to the Board via the Consumer Rights Protection Committee (at meetings or in writing).

Implementation

Principal Responsibilities of Majority-owned Subsidiaries, Head Office Departments and Branches

- Organizing, promoting and implementing ESG-related work in line with the deployment, requirements and work division of the Bank's ESG management policies, strategies, plans, annual work and objectives;
- Collecting and reporting ESG-related internal policies, systems and performance indicators;
- Complying with ESG-related policies and systems;
- Regularly reporting to the ESG working group (through meetings or in written form).

2. ESG Management

2.2 COMMUNICATION WITH STAKEHOLDERS

The Bank acknowledges the significance of maintaining close communication with stakeholders. We employ a variety of communication channels to maintain close communication with our stakeholders such as the government, regulators, shareholders/investors, customers, employees, suppliers, business partners and communities/non-governmental organizations and understand our stakeholders’ ESG expectations and requirements towards the Bank, so as to improve our ESG management continuously.

Stakeholders	Means of Communication
 Government	<ul style="list-style-type: none"> • Policy documents and guidelines
 Regulators	<ul style="list-style-type: none"> • Surveys and onsite visits • Work reports
 Shareholders/Investors	<ul style="list-style-type: none"> • Shareholders’ general meeting • Interim reports and annual reports • Corporate communication • Results announcements • ESG meetings
 Customers	<ul style="list-style-type: none"> • Customer satisfaction surveys and feedback forms • Customers service/consultation • Online service platform • Customer service hotline
 Staff	<ul style="list-style-type: none"> • Performance evaluation • Staff communication meetings • Volunteer activities
 Suppliers	<ul style="list-style-type: none"> • Meetings • Site visits
 Business partners	<ul style="list-style-type: none"> • Cooperation projects
 Communities/non-governmental organizations	<ul style="list-style-type: none"> • Community activities • Volunteer activities • Donations





2. ESG Management

2.3 MATERIAL ISSUES ASSESSMENT

In order to further identify key areas of corporate practice and disclosure in ESG and improve the responsiveness of the report, the Bank commissioned an independent consultancy to analyze the material issues so as to identify our most significant sustainable development issues.

We have identified 17 material ESG issues applicable to the Bank's business, taking into account our business development objectives, actual operational strategies and conditions, as well as our stakeholders' ESG expectations and requirements solicited through daily communication, and with reference to factors such as the disclosure responsibilities set out under the ESG Reporting Guide of the Hong Kong Stock Exchange and the materiality map of the Sustainability Accounting Standards Board ("SASB"):

Material Issues of the Year

 Governance	<ul style="list-style-type: none">• Risk management• Compliance operation
 Economy	<ul style="list-style-type: none">• Diversification and innovation of financial products• Greater interbank cooperation
 Social	<ul style="list-style-type: none">• Higher service quality• Customer privacy protection• Responsible marketing and information disclosure• Anti-corruption• Protection of employee rights and interests• Compliance with labor standards• Employee development and training• Development of inclusive finance• Support to social welfare• Financial knowledge popularization
 Environmental	<ul style="list-style-type: none">• Green finance• Green operation• Response to climate change

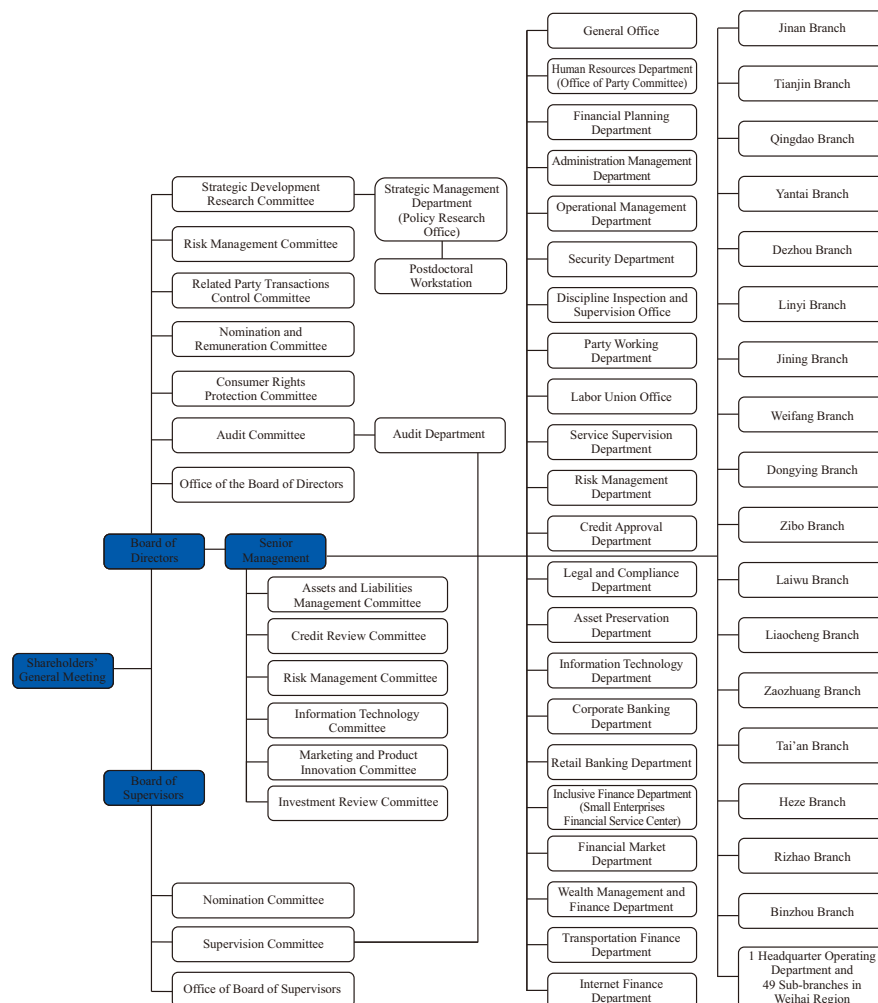
3. COMPLIANCE AND RISK MANAGEMENT

Operation in compliance with laws and regulations and improvement of risk management not only provide the foundation for the robust operation of our Bank, but also constitute one of the most important tasks for the Bank. In addition to rigorous corporate governance structure and risk management system in place, we work to enhance our systems and measures against corruption and money laundering, coupled with more responsible management of suppliers to ensure the steady development of our business.

3.1 IMPROVING CORPORATE GOVERNANCE

Based on the development requirements for modern commercial banks, Weihai City Commercial Bank has established a four-pronged corporate governance structure that features clear delineation of authority and responsibility, respective performance of functions, independent operation as well as checks and balances. Apart from that, the Bank has shaped a modern corporate governance system for commercial banks with Chinese characteristics by combining Party leadership with improvement of corporate structure, which gives full play to the Party's core functions and improves corporate governance. Set out below is a chart of our Bank's management structure:

A Chart of Our Bank's Management Structure



3. Compliance and Risk Management

3.1 IMPROVING CORPORATE GOVERNANCE (CONT'D)

Shareholders' general meeting is the highest organ of authority. Every year, the Bank convenes and holds a general meeting of shareholders strictly in accordance with relevant regulations. Shareholders exercise their voting rights in accordance with the law by participating in the general meeting of shareholders and engaging in major decision-making for the Company.

The Board is the decision-making body of the Company and consists of 15 directors, including 5 executive Directors. Under the Board are 6 special committees, namely, Strategic Development Research Committee, Related Party Transactions Control Committee, Risk Management Committee, Nomination and Remuneration Committee, Audit Committee and Consumer Rights Protection Committee. All their members are directors, with Related Party Transactions Control Committee, Nomination and Remuneration Committee and Audit Committee headed by independent directors. The Bank's Board and special committees can prepare strategic plans in a scientific manner, have regular knowledge of the Bank's operating and financial position, risk management, related party transactions and internal control, and make timely decisions on major issues. Independent directors are capable of giving objective and fair independent opinions on major related party transactions as well as the appointment and dismissal of directors and senior executives.

The Board of Supervisors comprises 9 supervisors, including 3 employee supervisors and 3 external supervisors. Under the Board of Supervisors are Supervision Committee and Nomination Committee, both headed by external supervisors. Each year, the Board of Supervisors issues an evaluation report on the annual performance of directors and senior management, which is subject to regular review with a focus on supervising any violations of laws and regulations as well as impairment to the interests of the Bank and shareholders in decision-making, management and execution, so as to continuously improve the effectiveness of supervision.

The senior management carries out operation and management activities within the scope of their powers in accordance with the law. According to the requirements of developing a bank with standard processes, the senior management has established an organizational structure with separate front, middle and back offices with effective checks and balances. It also implements a three-tier management model of "Head – Branch – Sub-branch". A comprehensive and systematic regime has been shaped that covers various business processes and critical risk points of the Bank. The senior management can regularly report to the Board of Directors and accept the supervision from the Board of Supervisors, strictly implement the resolutions of the Board of Directors, carry out business activities in accordance with the Articles of Association and the authorization of the Board of Directors, and ensure that the Bank's operations align with the development strategies, risk preference and other policies of the Board.



3. Compliance and Risk Management

3.2 STRENGTHENING RISK MANAGEMENT

In order to further standardize and strengthen the Bank’s risk management, improve the risk management system and promote the steady development of the Bank’s businesses, we have prepared the “Risk Management Outline of Weihai City Commercial Bank (《威海市商業銀行風險管理大綱》)” to clearly establish the organizational structure for the Bank’s risk management, departmental responsibilities and risk management regulations, with a view to comprehensively standardizing the Bank’s risk management and such acts and effectively preventing risks.

We have integrated the needs of our development strategies to build a centralized and vertical risk management system, standardize the synergy and mutual restriction of front, middle and back offices, and form a comprehensive risk management system covering various risks at the group level. The organizational structure of the Bank’s risk management covers all relevant departments of the Board of Directors, the Board of Supervisors, senior management, the head office, branches and sub-branches. The Board of Directors bears the ultimate responsibility for overall risk management, and supervises the risk management by senior management and the relevant departments of the head office, branches and sub-branches. We have prepared a range of risk management methods and procedures to effectively identify, evaluate, monitor, control and report major risks such as credit risk, market risk, liquidity risk, information technology risk, legal risk, compliance risk and reputational risk. An internal control and operating mechanism has been in place that effectively balances risks with returns, to promote the sustainable and sound development of various businesses.

In the future, we will set up the ESG risk management and internal control system under our ESG management framework to identify, assess, review and manage major ESG risks and opportunities, and establish a more comprehensive risk management system for ESG aspects.

3.3 STRICTLY COMPLIANT OPERATION

In order to ensure the stable operation of the Bank and improve compliance risk management, we have established a system to fight corruption and money laundering and protect intellectual property rights as well as measures for control and supervision, to ensure that the Bank operates in strict compliance with regulations.



3. Compliance and Risk Management

3.3 STRICTLY COMPLIANT OPERATION (CONT'D)

Anti-corruption

The Bank strictly complies with the Criminal Law of the PRC (《中華人民共和國刑法》), the Supervision Law of the PRC (《中華人民共和國監察法》) and other relevant laws and regulations. We seek to effectively prevent integrity risks in four aspects, namely improving system constraints, strengthening supervision and management, unblocking reporting channels and strengthening integrity education, prohibiting every behavior that violates laws and regulations such as corruption, bribery, extortion and fraud. During the Reporting Period, the Bank did not encounter any lawsuits involving corruption, bribery, extortion, fraud and other violations of laws and regulations.

<p> Improving System Constraints</p> <ul style="list-style-type: none"> • Improve the anti-corruption system and formulate the “Rules for Implementation of Weihai City Commercial Bank Party’s Conduct and Clean Government Building and Responsibility System (《威海市商業銀行黨風廉政建設責任制實施細則》)” to clearly stipulate the responsibility and accountability of leaders at all levels in the integrity building • Establish a leading group for the building of party conduct and clean government to plan and lead anti-corruption related work 	<p> Strengthening Supervision and Management</p> <ul style="list-style-type: none"> • All relevant departments shall conduct an assessment of the responsibility system for the Party’s conduct and clean government building once a year to ensure that the integrity work is properly implemented • In order to strengthen employee anti-corruption supervision and management, we formulated the “Weihai City Commercial Bank’s Staff Misconduct Investigation and Management Procedures (《威海市商業銀行員工失範行為排查管理程序》)” and “Weihai City Commercial Bank’s Staff Violation of Rules and Regulations Behavior Handling Measures (《威海市商業銀行員工違反規章制度行為處理辦法》)” to cultivate honest and trustworthy professional ethics, enhance the awareness of disciplined and compliant operation, and take effective prevention and rectification measures in a timely manner
<p> Unblocking Reporting Channels</p> <ul style="list-style-type: none"> • Formulate the “Weihai City Commercial Bank Complaint Filing Management Procedures (《威海市商業銀行信訪舉報管理程序》)” to standardize the responsibilities, operating procedures and channels of relevant departments for Compliant filing • Reporting channels include: visiting reception, letter, telephone • The Discipline Inspection and Supervision Office of the Head Office is responsible for the registration of complaint filing, submitting it to the leaders for review and approval, assisting in investigations, replies and relevant departments investigation and verification. The Discipline Inspection and Supervision Office will submit the investigation results after the approval of the leaders • If the report is deemed to be true after investigation, the cases suspected of a crime will be transferred to the judicial authority for handling in accordance with the law 	<p> Strengthening Integrity Education</p> <ul style="list-style-type: none"> • Strengthen integrity and anti-corruption education, enhance staffs’ awareness of integrity and self-discipline, and improve anti-corruption capabilities. Employees shall participate in discipline inspection and supervision knowledge training no less than twice a year • This year, the Bank organized and carried out anti-corruption education activities, organized party members and cadres to watch the live broadcasted of the special lecture “New Situation of Party Conduct Building and Leading Cadres’ Integrity and Self-discipline (《黨風廉政建設新形勢與領導幹部廉潔自律》)” and organized middle-level cadres to watch educational warning films of typical cases of discipline violations


3. Compliance and Risk Management

3.3 STRICTLY COMPLIANT OPERATION (CONT'D)


Anti-money Laundering

The Bank acknowledges that effective management of the money laundering risk provides the foundation for its safe and stable operation. We strictly comply with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), the Anti-Terrorism Law of the PRC (《中華人民共和國反恐怖主義法》), the Guidelines for the Management of Money Laundering and Terrorist Financing Risks of Legal Person Financial Institutions (Trial) (《法人金融機構洗錢和恐怖融資風險管理指引(試行)》) and other laws and regulations. We comprehensively work on anti-money laundering management by enhancing our management system and control and providing training to combat money laundering. During the Reporting Period, the Bank did not encounter any lawsuits involving money laundering and other violations of laws and regulations.


Improving Anti-money Laundering Management System

-  Formulate the “Weihai City Commercial Bank Money Laundering and Terrorist Financing Risk Management Policy (《威海市商業銀行洗錢和恐怖融資風險管理政策》)”, clearly formulate the money laundering risk management organizational structure, strategies, methods and measures, internal inspection, audit, performance appraisal, and the reward and punishment mechanism
- Formulate the “Weihai City Commercial Bank Anti-Money Laundering Work Management Procedures (《威海市商業銀行反洗錢工作管理程序》)” and set up an anti-money laundering work leading group across the Bank, and the head office-level leading group acting as the Bank’s anti-money laundering work leadership and management agency, responsible for organization, leadership and coordination of anti-money laundering work

Strengthening Anti-money Laundering Control

-  Stipulate a number of anti-money laundering management procedures to effectively strengthen internal control of anti-money laundering
- Establish the “Weihai City Commercial Bank Money Laundering and Terrorist Financing Risk Assessment and Customer Classification Management Procedures (《威海市商業銀行洗錢和恐怖融資風險評估及客戶分類管理程序》)” to reasonably determine the level of customer money laundering risk and effectively prevent money laundering and terrorist financing activities
- Establish the “Weihai City Commercial Bank’s Key Suspicious Transaction Identification Analysis and Report Management Procedure (《威海市商業銀行重點可疑交易識別分析報告管理程序》)” to discover and report key suspicious transactions in a timely manner, and earnestly perform anti-money laundering obligations

Conducting Anti-money Laundering Training

-  Each unit has established a long-term mechanism for anti-money laundering training, and organizes anti-money laundering training and testing for employees at all levels. The training content includes basic knowledge of anti-money laundering, laws and regulations, business operations and regulatory policy requirements
- New employees must receive anti-money laundering training and testing before starting their jobs
- All branches, banks under administer, and directly affiliated branches formulate annual anti-money laundering training plans

3. Compliance and Risk Management

3.3 STRICTLY COMPLIANT OPERATION (CONT'D)

Anti-money Laundering (Cont'd)



Intellectual Property Protection

The Bank attaches great importance to the protection of intellectual property rights, strictly abides by the Patent Law of the PRC (《中華人民共和國專利法》), the Trademark Law of the PRC (《中華人民共和國商標法》) and other relevant laws and regulations, and has prepared the Intellectual Property Management Measures of Weihai City Commercial Bank (《威海市商業銀行知識產權管理辦法》) to regulate intellectual property management, strengthen the protection and utilization of intellectual property rights of the Bank, and work on the protection of intellectual property rights. The Bank clearly specifies the division of responsibilities for intellectual property management of relevant departments. For example, the Legal and Compliance Department comprehensively works on the management of intellectual property rights across the Bank. Externally, the Bank monitors the situation involving intellectual property rights to prevent infringement on the intellectual property rights of others. We ensure that all types of software used are legally authorized. Internally, the Bank applies, monitors and maintains its own patents, trademarks, copyrights and other intellectual property rights. During the Reporting Period, we have maintained a total of 6 registered patents, and a total of 2 newly registered patents. If any infringement on the Bank's intellectual property rights is found, we will protect the Bank's intellectual property rights through litigation, request for administrative protection and other means.

During the Reporting Period, the Bank did not encounter any illegal incidents related to the infringement on intellectual property rights.

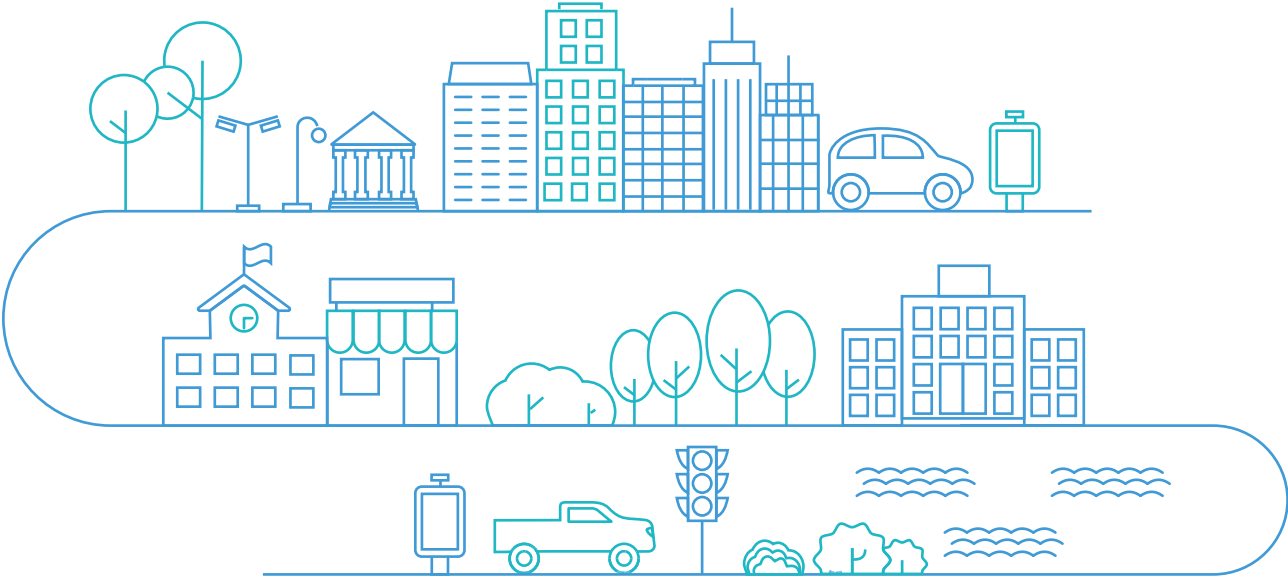
3. Compliance and Risk Management

3.4 SUPPLIER MANAGEMENT

For responsible management of suppliers, the Bank has prepared management systems such as the Centralized Procurement Management Measures of Weihai City Commercial Bank (《威海市商業銀行集中採購管理辦法》) and the Bidding Management Measures of Weihai City Commercial Bank (《威海市商業銀行招標管理辦法》) in strict accordance with relevant laws and regulations such as the PRC Law on Bidding (《中華人民共和國招標投標法》) and the Interim Provisions on Centralized Procurement Management of State-owned Financial Enterprises (《國有金融企業集中採購管理暫行規定》), so as to standardize the evaluation, supervision and management of suppliers, and ensure that procurement and bidding activities take place in the principles of openness, equity, fairness and good faith.

As for the standard of suppliers evaluation and management, except the conditions of qualification, reputation, quality and price, we also consider the environmental and social performance of suppliers, such as employment and labor standards, health and safety as well as integrity. Our procurement demand department will evaluate and supervise the contract performance of suppliers, and gradually establish the Bank’s qualified supplier base. We also advocate green procurement, such as purchasing products and services with less impact on the environment. We strictly stipulate that all bidding units and personnel must be law-abiding, honest and self-disciplined, with no favoritism or irregularities.

During the Reporting Period, the Bank had a total of 246 major suppliers for its head office, including 108 from Shandong Province and 138 outside Shandong Province, providing products and services such as technology software equipment, security facilities and services, decoration and office supporting services.



4. SUPPORTING REAL ECONOMY

Our Bank fulfills all social responsibilities throughout its entire development process, always adheres to the market positioning of “serving the local economy, serving small and micro enterprises, and serving urban and rural residents”, with a focus on financial innovation, and reliance on small and micro enterprises, citizen finance, and technology finance to support real economy, propel regional economic development, and fulfill social responsibilities of the financial industry.

4.1 CARRYING OUT INCLUSIVE FINANCE

Our Bank has made great effort to develop inclusive finance focusing on people’s livelihood in response to the government’s policy of inclusive finance, actively promoting consumer finance services, continuously enriching credit card business, non-stoppingly improving convenient payment services, so as to further uplifting the standard of serving urban and rural residents.

In propelling consumer finance services, our Bank, based on the position of a local bank focusing on residents, provides a variety of consumer finance services including housing loans, consumer loans, internet loans (網易貸) and pension loans (積金易貸). Our products cover various aspects of people’s life, such as clothing, food, housing, transportation and education. We also gradually implement online approval of mortgage loans to further improve the efficiency of approval. Our internet loans (網易貸), a new consumer loan product, allows customers to use funds within an approved credit limit on a rolling basis, and make automatic cash drawdown and repayment possible online, providing great convenience to our customers.

In terms of credit cards business, the Bank has become the second city commercial bank authorized to issue credit cards in the province, which has expanded the portfolio of installment products by launching products including payment installments for vehicles and parking lots, to satisfy customers’ demand for scenario-based consumption. We have also enriched marketing activities by carrying out activities such as discount on telephone charges, discount on supermarkets, RMB1 concessions, and weekly purchases to improve customers’ daily consumption quality. We also aim at improving our service quality by establishing a professional customer service team exclusively to answer questions from customers in respect of our credit cards, which will effectively improve customers’ satisfaction.

In payment services, our Bank actively shoulders up the social responsibility of “livelihood-related matters”. In order to solve the problem of payment of living expenses closely related to people’s life, our Bank has launched “living steward”, a brand featuring a comprehensive payment services covering more than ten payment services, such as utilities, communication, cable TV, gas and heating in daily life, so as to continue improving payment service for the convenience of residents.

4. Supporting Real Economy

4.2 SERVING AGRICULTURE, RURAL AREAS AND FARMERS, AND SMALL AND MICRO ENTERPRISES

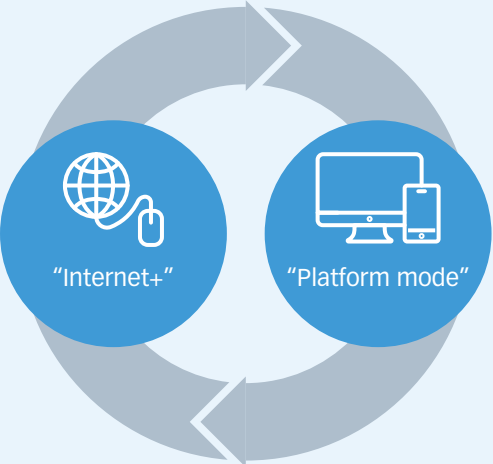
In order to implement our Bank’s position of “Services for Agriculture, Rural Areas, and Farmers” (三農服務), we have launched a number of services and products to support “agriculture, rural areas and farmers” and small and micro enterprises.

To support the development of “agriculture, rural areas and farmers”, we have proactively implemented the strategy of financial support for rural revitalization by innovation of new models of rural finance and launching new products supporting agriculture, and actively provided differentiated and distinctive financing services for “agriculture, rural areas and farmers” by means of cooperating with policy-oriented agricultural guarantee companies to launch “loans for agriculture”, and giving full play to the respective advantages of the government, banks and guarantee companies so as to promote the development of “agriculture, rural areas and farmers” and contribute to the development of economy at the county level.

To support the development of small and micro enterprises, we have built an enriched product system, established a dynamic and continuous product innovation mechanism, and actively launched featured financing products for small and micro enterprises such as “Zhilingtong (智領通)”, “Commercial Vehicle Loan (商車貸)” and “Tax E-finance (稅e融)”.

“Tax E-finance (稅e融)”

We have actively relied on the development model featuring “Internet+” and “platform mode”, enhanced efforts on cross-sector and cross-industry cooperation, deepened the business of “banking-and-taxation interaction”, achieving information exchange and sharing among tax authorities and financial institutions through the establishment of an interaction platform between banking and taxation. Through which, the “Tax E-finance (稅e融)” product has been launched, which is designed to promote the deep integration of inclusive finance business and technology, further enhancing customers’ experience. “Tax E-finance (稅e融)” is a personal operational credit business tailor-made for the legal representatives of small and micro enterprises. It is used to support their personal operating credit business for production and operation turnover, with the taxation payment data for approval basis. It has the features of credit limit on a rolling basis, which can achieves cost-saving, effectively solve the financing problem of small and micro enterprises.



The diagram consists of two blue circles connected by a grey circular arrow. The left circle contains a globe icon and a mouse cursor icon, labeled “Internet+”. The right circle contains a computer monitor and a smartphone icon, labeled “Platform mode”.

We continue to reduce the cost of loans for small and micro enterprises. Adhering to the business orientation of “focusing on small and micro enterprises”, our Bank has adopted a special FTP (internal fund transfer pricing) capital cost pricing policy for loans to small and micro enterprises with a single credit of RMB10 million or less, guiding its branches to further reduce the financing costs of small and micro enterprises. Targetting on the characteristics on the demand for financial services of small and micro enterprises, our Bank continued to optimize the “green channel” for loans for small and micro enterprises, we have actively promoted the “processing within limited time”, with early introduction for potential target customers, which practically improves the efficiency of credit services for small and micro enterprises. In addition, we work with governmental departments such as the Social Labor and Security Department and the Ministry of Finance to jointly build up a financial business cooperation platform for minority groups, proactively achieving the successful employment and venturing for the special social groups.

Our Bank continues to optimize and improve the construction of the mechanism with strong coordination in operation, management and risk control for small and micro enterprises, and provides strong guarantee for the development of small and micro enterprises through single credit plan, special assessment and incentive by the number of households, differentiated credit policy, professional credit approval and exclusive credit products.

4. Supporting Real Economy

4.3 INNOVATIVE FINANCIAL PRODUCTS

We highly regard the importance of technology in guiding business development. Adhering digitalization as a driving force, we have been able to enhance our core competitiveness being empowered by strengthened technology. We have exclusively set up Internet Finance Department to commence online finance business, so as to continue building a digitalized and network-based smart banking system, through which we have delivered outstanding performance. We have launched a number of innovative financial products to provide customers with diversified financial services such as credit, wealth management, savings, treasury, to support urban and rural residents and small and micro enterprises to use financial services.

Innovative Platform for Digital Retail Credit



- During the year, our Internet Finance Department has responded to the requests from central and regulatory authorities build up a digital retail credit platform covering four major systems, namely customer acquisition, risk control, operation, and system, with a mindset of “seeking progress amid stability, seeking efficiency through innovation, and seeking fast service” by capitalizing on digital transformation and development of consumer finance business. It has realized the functions of customers acquisition by batches through platforms, scenario-based marketing, automatic and smart approval, and has comprehensively improved customers’ experience and operational efficiency.

Innovative Online Credit Products



- Actively adopting new technologies, the Internet, big data and other tools, we have continued to improve online products such as “Property E-loan (房e贷)”. We have fully made use of our service advantages in terms of online application, online approval, and borrowing and repayment at any time to meet the financing needs of small and micro customers;
- Our Bank has increased financing support for small and medium-sized enterprises, accelerated the development of Internet finance, and launched the products of “Government E-finance (政e融)” and “loans for talents (人才贷)” with the help from Weihai Credit, Finance, Bank and Insurance platform and risk compensation funds;
- Utilizing the government’s big data credit reporting platform, we launched “Government E-finance (政e融)”, a product which allowed us to rate relevant enterprises by building an enterprise social credit rating model based on integrated judicial, tax, industrial and commercial, social security data in relation to relevant enterprises, according to which, enterprises conforming to rating results and our credit policy might be provided with short-term working capital loans whose risk was partially guaranteed by credit and insurance funds funded by the government so as to solve financing problems of small and micro enterprises;
- “Loans for talents (人才贷)” is an unsecured and non-guaranteed credit products targeted at high-level talents or enterprises has long engaged in the development of scientific and technological achievements transformation and innovation and entrepreneurship. Such product effectively alleviates the financing difficulties of high-level talents in scientific and technological achievements transformation and innovation and entrepreneurship.

4. Supporting Real Economy

4.3 INNOVATIVE FINANCIAL PRODUCTS (CONT'D)

Innovative Wealth Management Products



- In order to satisfy regulatory requirements and meet business development needs, we have designed and launched “steady growth No. 1 periodic open net valued-based wealth management product (穩健成長1號周期型開放式淨值型理財產品)” and “steady growth series of closed net value products (穩健成長系列封閉淨值型產品)” during the year, based on our research of net value measured wealth management market and customer needs with taking into consideration the situation of our wealth management business.



Case: Innovative Launch of “Fast E-loan (快e貸)”

“Fast E-loan (快e貸)” is an innovative and inclusive online loan product launched by Weihai Commercial Bank in line with the requirements under the policy of “protecting market entities, securing residents’ employment, and guaranteeing basic livelihood”. Serving individual retail customers and small and micro enterprises, it also meets the consumption and operation needs of residents and small and micro enterprises. On June 16, 2020, “Fast E-loan” officially went online for the Bank.

Customers who need a loan are not required to bind their bank cards. They just need to make an online application by scanning the “QR code of customer manager” or search for “WeChat official account of Xiao Wei Fast E-loan”. The system verifies a customer’s identity through the customer’s ID card information, face recognition and simple personal information, and relies on the big data platform to evaluate the customer’s loan limit in no time. The customer may make a loan up to RMB200,000. At the same time, the “Fast E-loan (快e貸)” platform can effectively secure the data and application of the system through technical means of access control and transmission encryption, and protect customers’ personal information and loan security.

The “Fast E-loan (快e貸)” product has been well-received by a significant number of customers since its launch.

5. QUALITY CUSTOMER SERVICES

Our Bank adheres to the principle of customer first with the service concept of “head-office serving the primary, management for the business, and the Bank for customers”, and is committed to improving the quality of financial services, and attaches great importance to customer opinions and feedback. We continue to strengthen pre-sales management, efficiently handle customer comments and continuously improve and promote.

5.1 IMPROVING SERVICES QUALITY

Customer Services Quality Assurance

Our Bank has formulated the Operational Guidelines on Customer Service Center Service of Weihai City Commercial Bank Co., Ltd. (《威海市商業銀行客戶服務中心服務業務作業指導書》) and Contingency Plan on Customer Service Center Telephone Banking of Weihai City Commercial Bank Co., Ltd. (《威海市商業銀行客戶服務中心電話銀行業務應急預案》) according to the actual operating conditions, which aim at correctly and efficiently dealing with the emergencies faced by the customer service center, improve the system’s ability to deal with emergencies and ensure the continuity of business processing and a good customer experience, so as to strengthen the service quality of the Bank and consummate the services of the Bank. We are dedicated to provide customers with high-quality financial services. During the Reporting Period, the Bank’s customer service satisfaction reached 98%.

We have formulated the Service Supervision and Assessment Measures of Weihai City Commercial Bank Co., Ltd. (《威海市商業銀行服務監督考核辦法》), and have regularly conducted service assessments on branches, supervising branch, and the sales agency supervised under the direct sub-branch based on the assessment standards, assessment content and assessment methods stipulated therein, to enhance the awareness of the importance of service work for all employees, to provide customers with standard, unified and high-quality services. The service inspections fully reflect the principle of fairness and just and the core concept of “inspecting instead of teaching” by adopting the form of “video of designated time, optional video view of the month”, and each sub-branch submits a video inspection scoring table and inspection report as required every month. The Service Supervision Department will review and re-score as a whole, so as to fully improve the service awareness and efficiency of the Bank and enhance the implementation ability.

Consumer Complaint Handling






Our Bank strictly comply with the laws and regulations such as PRC Banking Supervision and Regulatory Law (《中華人民共和國銀行業監督管理法》), the Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》), the Law of the PRC on the Protection of the Rights and Interests of Customers (《中華人民共和國消費者權益保護法》), the State Council General Office’s Guiding Opinions on Strengthening the Protection of Financial Consumers’ Rights and Interests (《國務院辦公廳關於加強金融消費者權益保護工作的指導意見》), the Measures for the Administration of Handling Consumer Complaints in Banking and Insurance Industry (《銀行業保險業消費投訴處理管理辦法》), and adheres to the principles of compliance with laws and regulations, convenience and efficiency, addressing both symptoms and root causes, and diversified solutions to handle complaints. In order to further strengthen the Bank’s complaint management, improve relevant handling management mechanisms, and promptly and properly handle customer complaints, the Bank established the Measures on Consumer Complaint Handling Management of Weihai City Commercial Bank Co., Ltd. (《威海市商業銀行消費者投訴處理管理辦法》), which stipulates the responsibilities, handling procedures, and time limits of complaint handling departments to ensure that customer complaints are resolved in a timely and effective manner. The Bank also included complaints into the comprehensive operating performance appraisal system of banking offices to improve the attention of all employees on complaints.

5. Quality Customer Services

5.1 IMPROVING SERVICES QUALITY (CONT'D)

Consumer Complaint Handling (cont'd)

The Bank’s consumer complaint handling process is divided into five stages including acceptance, distribution, handling, feedback and conclusion.

Complaint Handling	Actual Contents
 Acceptance	<ul style="list-style-type: none"> Implement an avoidance system for handling consumer complaints. The complained institution shall designate personnel who have no direct interest in the complained matter to verify the content of the consumer complaint, timely communicate with the complainant, and actively resolve consumer disputes through negotiation.
 Distribution	<ul style="list-style-type: none"> Complaints are passed on to complaint handling personnel such as point of sales, customer service centers, and consumer rights protection centers for investigation and handling. For complaints referred from governmental departments, supervisory departments, higher-level units, and news media, they will be sent to the complained unit, relevant functional department and the service supervision department for handling and reply in writing within a time frame.
 Handling	<ul style="list-style-type: none"> Relevant personnel of the complained institution conduct detailed investigation, understanding and communication of the complaint, and the relevant functional departments shall cooperate to handle the complaint.
 Feedback	<ul style="list-style-type: none"> The institution being complaint shall make a fair and just handling decision in accordance with relevant laws and regulations and the system and requirements of the Bank’s system, and inform the complainant of the handling decision within the required time.
 Conclusion	<ul style="list-style-type: none"> The complaint handling position of the Service Supervision Department returns call to the consumer and records the satisfaction of consumer complaints handling.

We have set up public complaint channels and processing procedures on our official website, mobile customer terminals, business premises and office premises, so that our customers clearly understand the procedures, channels, methods and estimated processing time of complaints, in order to make our complaint handling transparent. Customers may file complaints through customer service hotline, leaving messages on our official website, and correspondence. During the Reporting Period, the Bank has actively handled complaints and problems from various channels, with a handling rate of 100%.

5. Quality Customer Services

5.2 SAFEGUARDING CUSTOMERS' PRIVACY

Our Bank strictly abides by the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), and protects customer information and other related work through institutional constraints and technical prevention and control to strengthen our security defense system. The Bank adheres to the general direction of “safety first, prevention as priority, equal emphasis on technology and management, and comprehensive prevention” for information security management, and have formulated the applicable “Information Security Management Measures of Weihai City Commercial Bank Co., Ltd.” (《威海市商業銀行信息安全管理辦法》) and the Customer Information Protection Management Measures of Weihai City Commercial Bank Co., Ltd. (《威海市商業銀行客戶信息保護管理辦法》) in accordance with the regulatory requirements and national information security level protection management system of the “Guidelines on Information Technology Risk Management of Commercial Bank (Yin Jian Fa [2009] No.19) (《商業銀行信息科技風險管理指引》) (銀監發[2009]19號) and related laws and regulations. We have also formulated the Operation Instruction for Operation and Maintenance Management of Security Products of Weihai Commercial Bank Co., Ltd. (《威海市商業銀行安全產品運行維護管理作業指導書》) to regulate the Bank’s information security products, including the information technology internal control system, vulnerability scanning, security configuration verification system, security services and other information security product operation procedures and controls, and have set up the responsibilities, authorities and information operation procedures for employees in different positions to improve the management level of the Bank’s security products and to achieve risk prevention. We have formulated the Computer Operation and Maintenance Management Procedures of Weihai Commercial Bank Co., Ltd. (《威海市商業銀行計算機使用維護管理程序》), to carry out data center operation and maintenance safety self-inspection by various management posts, for the comprehensive investigation on the use of computer equipment, network system security risks, and the protection of computer room infrastructure.

We manage the use of information resources of employees based on the principle of limited authorization. Any employee who surpasses his duties to access information resources is subject to restriction of authority. Our employees are arranged to receive information security and confidentiality training to enable them to have the appropriate information security awareness and protection capabilities corresponding to their positions, and to fully understand the importance of information security in the finance industry. We regularly implement targeted and planned level protection, and education and training on internal control requirements for employees related to information systems, so that our employees are fully aware of their information security knowledge and responsibilities related to their jobs.

In accordance with the Management Measures on Customers’ Information Protection of Weihai Commercial Bank Co., Ltd. (《威海市商業銀行客戶信息保護管理辦法》), customers’ information is classified into the format of electronic and paper by the carrier. Customers’ information includes customers’ basic information, account information, product or channel information, etc., and is classified into three categories of high confidentiality, medium confidentiality, and low confidentiality by its security level. Different levels of data adopt corresponding security management measures in the process of inquiry, transmission, delivery, and application, so as to prevent data leakage and ensure data information security.

Our Bank respects customers’ personal financial information security rights, by taking effective measures to strengthen the protection of personal financial information. No authorized alteration nor illegally use of customers’ personal financial information is allowed. No personal financial information is allowed to disclose to any third parties without the authorization of, or consent from, the banking customers.

5. Quality Customer Services

5.3 PROTECTION OF CONSUMERS' LEGAL RIGHTS

Management Organizational Structure of the Consumers' Rights

In accordance with laws and regulations and industry rules and regulations of the Law of the PRC on the Protection of the Rights and Interests of Customers (《中華人民共和國消費者權益保護法》), the Guidance on Consumer Rights Protections for Banking Industry (《銀行業消費者權益保護工作指引》) and the Guiding Opinions on Bank Insurance Institutions to strengthen the Work System and Mechanism Construction of Consumer Rights Protection by CBIRC (《中國銀保監會關於銀行保險機構加強消費者權益保護工作體制機制建設的指導意見》), we have formulated the Administrative Measures on the Protection of the Rights and Interests of Customers of Weihai Commercial Bank Co., Ltd. (《威海市商業銀行消費者權益保護工作管理辦法》) to protect the legal rights of consumers, improve the service level and customers' satisfaction to the Bank. We put the protection of consumer rights and interests into practice, and promote the healthy, stable and sustainable development of our Bank.

We integrate the protection of customer rights into our business development strategies and corporate culture by setting up a consumer rights protection committee, which is responsible for reporting related work to the board of directors. The board of directors is responsible for formulating strategies, policies and goals for the protection of consumer rights in the banking industry, and ensuring that all consumers are treated fairly. The senior management ensures that the strategic objectives and policies of consumer rights protection are effectively implemented. The board of supervisors is responsible for supervising the performance of the board of directors and senior management in protecting consumers' rights and interests. We have established the Consumer Rights Protection Working Committee, primarily to promote the protection of consumer rights, to actively fulfill social responsibilities, and firmly establish the concept of protecting the legal rights and interests of consumers. The Consumer Rights Protection Office is established under the Consumer Rights Protection Working Committee, which is located in the Service Supervision Department in our head office. The Service Supervision Department is responsible for organizing, coordinating, supervising, and directing other departments and agencies at a lower level to carry out consumer rights protection work. Each sub-branch is directly responsible for the organization and implementation of the consumer rights protection work.

The service supervision department has a consumer rights protection center, which is responsible for the management of consumer rights protection across the Bank, including formulating and improving relevant work regulations and supervision; strengthening communication with regulatory authorities and peers, and conducting assessments, inspections and activities related to the consumer rights protection. It is also responsible for complaint management, complaint registration, investigation of process and scope, feedback, reporting, assessment, and conclusion, etc., within the Bank.

Standardizing Advertising and Marketing

The Administrative Measures on the Protection of Consumer Rights and Interests (《消費者權益保護工作管理辦法》) of Our Bank establishes the basic code of conduct for all administrative departments. We respect the right to know and discretion of our customers, and perform the obligation to notify. Employees are not allowed to conceal risks, overstate profits or conduct forced transactions in any way during the marketing of products and services. In the process of product sales, we strictly distinguish our own products from those sold on a commission basis, and shall not confuse or obscure the nature of both products to mislead customers in the sales of financial products. All public advertisements regarding our Bank shall be reviewed by the head office of the Bank to ensure that the content of all external promotions is under due consideration and accurate, and our branches shall be given standard guidance in accordance with regulatory requirements in this regard. We strictly abide by and comply with the provisions on financial service charges of the PRC and our head office, disclose chargeable items and standards, and shall not impose extra charges or raise charging standards at will.

6. ALWAYS CARING FOR OUR EMPLOYEES

The Bank is well aware that employees are the cornerstone of our business success. Therefore, we actively promote the “people-oriented” concept and take the “happy culture” as the core and essence of corporate culture across the Bank. We endeavor to safeguard the legal rights and interests of employees, build a working environment featuring equality and diversification, reinforce trainings for building excellent teams, protect employee’s health and safety, and create a working environment where our employees can share sympathy, joy and growth.

6.1 PROTECTION OF EMPLOYEES’ RIGHTS AND INTERESTS

The Bank is in strict compliance with relevant laws and regulations including the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) to safeguard our employees’ rights and interests.

We formulated the Operation Guide on Employee Recruitment of Weihai City Commercial Bank (《威海市商業銀行員工招聘作業指導書》), pursuant to which, we will review candidate’s qualifications and conditions including academic background, working experience, and skills in accordance with the principles of openness, fairness, and merit, and select talents through various external and internal channels. We forbid any kind of discrimination based on factors such as sex, nation, race, religion in order to create a fair working environment. During the recruitment, we will rigorously review candidates’ personal ID certificates, and forbid any employment of child labor. We formulated the Operation Guide on Labor Contract Management of Weihai City Commercial Bank (《威海市商業銀行勞動合同管理作業指導書》), pursuant to which, we will comply with the principles of lawfulness, fairness, equality and volunteering when signing contracts with employees, specify in contract the information such as working time, remuneration and benefits for employees, and forbid any forced labor. We implemented a standard working hours system, allowing our employees reasonable break time. In case of any violation by employee or any need for cancelling labor contact, we will handle it in accordance with the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and other relevant laws and regulations to safeguard employee’s and the Bank’s rights and interests.

Employees are the Bank’s valuable assets. Therefore, we provide heartwarming benefits and packages to attract and retain talents. In addition to the five insurances and the housing fund as well as holidays as stipulated by the laws of the PRC, our employees are also entitled to other leaves, such as sick leave, personal leave, marital leave, maternity leave, breastfeeding leave, annual leave, etc. The Bank deeply cares for and loves its employees. It set up a labor union that is in charge of extending care and help to employees facing difficulties, timely alleviating employees’ hardship, as well as constantly and regularly conducting heartwarming activities in order to allow employees to receive and feel our concern and warmth.



Release of relief grants

Visit and comfort employees suffered from severe disease, loss of family member or work injury and relatives of deceased employee, and offer relieve grants to employees with severe disease and in hardship



Comfort visits

Visit and comfort employees facing difficulties and retired employees during Chinese New Year of each year



Scholarships and grants for children

Offer scholarships and grants to the children of employees who have financial difficulties

6. Always Caring for Our Employees

6.2 VALUING EMPLOYEES' GROWTH

The Bank implemented the strategy of “building a stronger bank with talents” (人才強行) in a bid to build a human resources management team equipped with higher quality and stronger professionalism. We attach great importance to the training of the human resources management team, further enhance the strategic analysis and business thinking ability of the team, facilitate the professionalism building of the team, and nurture talents in human resources management who are familiar with ability and quality model, employees nurturing and development, leadership development, talents appraisal, employee relationships management, and new technologies application, in order to lay a good foundation for the implementation of the Bank's business strategies.

Performance Management and Promotion

In order to motivate employees to work harder and attentively and stimulate their potential and performance, we established the Performance Management Procedures of Weihai City Commercial Bank (《威海市商業銀行績效管理程序》) to regulate the management of employee performance. We formulated the Operation Guide on the Appointment and Removal of Medium-and high-level Management of Weihai City Commercial Bank (《威海市商業銀行中高級管理人員任免作業指導書》) to regulate the selection and appointment of medium-and high-level management by sticking to the principles of “Three Hua” (三化), namely “specialization, knowledge and youth”, prioritizing the deployment of knowledge-rich talents with high academic qualifications and stronger ability in theory and young talents with energy and passion, and deeply implementing the “system of using talents beyond rules” (人才破格制), all in a bid to lay a good foundation for the Bank to build an outstanding management team.

Diversified Employee Training

In accordance with the Annual Training Plan of Weihai City Commercial Bank (《威海市商業銀行年度培訓計劃》) for the year, we focused on three works of “reinforcing basics, enhancing abilities, focusing on practices” by centering on the development strategy of “Bi-Focus Retail Banking” (兩端型零售銀行) and incorporating the development thinking of the Bank's training institute. During the year, the Bank conducted systematic trainings, online or offline, from a comprehensive perspective, for personnel at all levels through a multitude of ways such as “go out” and “invite in”. Firstly, we organized medium-and high-level leaders to attend Huawei trainings and trainings for branch presidents. Secondly, we organized trainings for new employees. Relevant successive trainings include the trainings in Binzhou Branch, the trainings for new employees in the head office, and the trainings for newly-recruited college graduates. Thirdly, we organized trainings across the Bank, including the competitions for training tutors across the Bank, job qualifications tests, live broadcast trainings for divisions, etc. Through trainings covering different specialties, categories, levels and scopes, we boosted the general competitiveness of our team, guaranteeing the talents needed for the Bank's rapid development.

The below is an introduction to the principal trainings during the year:

Trainings for Directors, Supervisors and Senior Management



Arranged directors, supervisors and senior management to participate in trainings on duties of directors of the companies listed on HKEX.

6. Always Caring for Our Employees

6.2 VALUING EMPLOYEES' GROWTH (CONT'D)

Diversified Employee Training (cont'd)

Special Trainings for the Secretary of the Board



Attended the special trainings for the Secretary of the Board to enhance the expertise and skills of the secretary and other members of the Office of the Board, mainly covering the responsibilities and obligations of directors, the continuing responsibilities under the Listing Rules, the compliance consultancy on the latest Environmental, Social and Governance Reporting Guide issued by the HKEX, the more effective works concerning Investor Relations, etc.

Trainings for Middle-and Top-Management, and Key Members



- Made full use of platforms such as AFCA (亞聯盟)、Bank Alliance (城商行聯盟)、the CBA (銀行業協會) to organize medium-and high-level leaders to attend Huawei trainings and branch presidents to attend trainings for branch presidents;
- Organized expert forum. During the year, we invited Hao Miaohong (郝妙紅), founder of Thorgene Medical, to held the forum on Big Data and Life Health. Through learning, the capacities of our management can be enhanced in order to adapt to changes and promote development;
- Organized medium-level leaders and key members to attend the expert financial forum held by Zhongtai Securities Institute in order to allow them to keep abreast with the latest trend of economic development domestic and overseas, and improve their knowledges on financial investments.



Digital Leadership Training Course held by Huawei for the Bank

6. Always Caring for Our Employees

6.2 VALUING EMPLOYEES' GROWTH (CONT'D)

Diversified Employee Training (cont'd)

New Staff Induction Training



- The training contents for new staff mainly focus on the Bank's strategic planning, corporate culture, legal and compliance knowledge and business skills, etc.;
- Organized the training of Binzhou Branch, which was divided into two stages: centralized training and on-the-job training. The training lasted for two weeks, and a total of 29 employees participated;
- Organized pre-job training for new staff of the headquarters, which was divided into two stages: centralized training and on-the-job practical training. The training lasted for one month, and a total of 38 employees participated.
- Organized the training for new college students, which is divided into two stages: centralized training and line training. The training lasted for 3 weeks, and a total of 63 employees participated.



Training for New Staff



Training for College Students Who Are New to the Bank

6. Always Caring for Our Employees

6.2 VALUING EMPLOYEES' GROWTH (CONT'D)

Diversified Employee Training (cont'd)

Carrying Out Professional Broadcast Training



- Organized Qingdao Branch, Linyi Branch, Rizhao Branch and Binzhou Branch to carry out trainings on network efficiency improvement. Through network research, course training, stagnation guidance and review guidance, we mobilized the marketing initiative of the network staff, standardized the marketing behavior and improved the marketing skills, to achieve the overall improvement of network efficiency;
- Organized and carried out live broadcast training. We have innovated training forms of live broadcast for special training during the epidemic. The training mainly focused on the public risk identification and control, the operation of short videos of new media of banks, how the civil code affects banking business, and the sharing of actual practice cases of network marketing, etc., which formed a good learning atmosphere of learning anytime and everywhere.



Training of Special Service

6. Always Caring for Our Employees

6.3 EMPLOYEES' HEALTH AND SAFETY

The Bank attaches great importance to the health and safety of its employees, strictly follows the "Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》)" and "Fire Prevention Law of the PRC (《中華人民共和國消防法》)" and other relevant laws and regulations, establishes various systems and measures to ensure the health and safety of its employees, and strengthens the health and safety management of its employees.

Physical Examination



Organize a physical examination for all staff of the Bank every year, establish health records, continuous follow-up and supervise the review of special conditions, strengthen the prevention of diseases and injuries, and safeguard the health of employees.

"Four Periods" Protection Policy for Female Staff



Strictly implement the "Four Periods" protection policy for female staff, provide protection and convenience of working environment for female staff in the special period, provide policy consultation, free physical examination, birth permit application, newborn settlement, file management and other intimate services for women of childbearing age, and care for all the staff.

Mutual Medical Insurance



Provide mutual medical insurance for all employees, including accidental injury and major diseases, so as to reduce the medical burden of employees and improve their anti-risk ability.

6. Always Caring for Our Employees

6.3 EMPLOYEES' HEALTH AND SAFETY (CONT'D)

Emergency Response Of Business Place



- Formulate the Operation Instruction for Emergency Handling of Business Premises of Weihai City Commercial Bank (《威海市商業銀行營業場所突發事件應急處理作業指導書》);
- Organize the staff of the outlet hall to carry out the drill and training of anti-robbery and other emergency response plans in the business place on a quarterly basis, so as to effectively improve the safety awareness and emergency response ability of the on-site staff.

Fire Safety



- Formulate “Fire Emergency Handling Operation Instruction of Weihai City Commercial Bank” (《威海市商業銀行消防應急處理作業指導書》);
- Organize regular or irregular fire safety education and fire escape drill training for employees to further improve their fire awareness and strengthen their fire emergency response ability and escape ability.



7. CONTRIBUTION TO SOCIETY

As an enterprise that actively fulfills its social responsibilities, Weihai City Commercial Bank has been enthusiastic about developing public welfare undertakings and giving back to the society while serving the development of the real economy and providing quality services to customers. This year, the Bank organized a number of public welfare and financial knowledge publicity and education activities. In order to join hands with businesses and communities from all walks of life to combat the novel coronavirus pneumonia epidemic, we have also introduced a series of epidemic prevention and control measures to contribute to the efforts in winning the battle against the epidemic.

7.1 SUPPORTING PUBLIC CHARITY

In order to effectively promote public charity in the community, we have formulated a number of systems and measures, including improving institutional construction, clarifying system constraints, building a “learning from Leifeng love bank (學雷鋒愛心銀行)”, carrying out designated assistance and paying attention to disadvantaged groups, so as to improve the public welfare service system.



Improve institutional construction

- Put in place a Party-mass work department, mainly responsible for the development and organization of social welfare undertakings;
- Put in place a labor union, responsible for caring and assisting the Bank’s employees in difficulties;
- Put in place a Youth League Committee and set up a volunteer team for social welfare undertakings, to carry out youth volunteer activities in the long run.



Clarify system constraints

- Actively incorporate public welfare volunteer activities to the corporate culture and establish a three-level activity mechanism of general, branch and sub-branch;
- All units are required to organize and participate in voluntary activities from time to time.



Build a “learning from Leifeng love bank” (學雷鋒愛心銀行)

- With Zibo branch as a demonstration point, encourage our staff to care about people’s livelihood and give back to society through various forms such as promoting the spirit of Lei Feng, holding special lectures on learning from Lei Feng, and carrying out volunteer service activities on learning from Lei Feng.



Carry out designated assistance

- In accordance with the unified deployment of the Party Committee and government on assistance work, actively carry out visits to and surveys of targeted village, to extensively understand the actual needs of the village, and ensure that the assistance work achieves practical results;
- Yuebozhuang, Datuan Town, Rongcheng City is the assistance target of the Bank. This year, a total of RMB100,000 has been invested, of which RMB20,000 will be sent in cash and kind to 10 low-income poor villagers in Yuebozhuang, Datuan Town, Rongcheng City. The remaining RMB80,000 will be used to repair houses for poor villagers.



Pay attention to disadvantaged groups

- Regularly visit the Weihai City Welfare Institute and deliver them warmth and care;
- This year, young employees were organized to carry out voluntary works in nursing homes, and RMB30,000 were invested to provide 30 tons of coal for living in nursing homes.

7. Contribution to Society

7.1 SUPPORTING PUBLIC CHARITY (CONT'D)

Weihai City Commercial Bank has specially established a volunteer team consisting of young league members for social welfare undertakings, focusing on the participation in activities such as caring for disadvantaged groups, voluntary tree-planting and blood donation. During the year, we had 100 members in the volunteer team. Meanwhile, at the sub-branch level, the comprehensive management department took the lead to organize and carry out various social welfare undertakings and incorporate social welfare activities to the main aspect of corporate culture construction of our branch. Each year, it will establish a plan for activities, organize initiatives and conduct an assessment.



Case: Weihai City Commercial Bank Organized "Delivering Warmth" Visits

In order to enhance the sense of social responsibility of our Bank's young staff and respond to the requirement from authority at upper level to assist in poverty alleviation, on November 5, 2020, our Bank's chairman of supervisors paid a visit to the nursing homes and poverty-relief villages in Xiachu County, Rushan with over thirty participants consisting of our Bank's Party members, League members as well as young volunteers to carry out the "delivering warmth" visits.

During our visit to nursing homes for the elderly, we brought them daily supplies such as milk, biscuit and rice. We helped them clean their rooms and do the cleaning to express our caring to every elder person. In the afternoon, our supervisor Deng Wei(鄧衛) and his team paid a visit to poverty-stricken families in Yuebozhuang Village, Datuan County, Rongcheng City to learn about their living condition and bring them daily supplies such as rice, noodle and oil.

This activity has not only carried forward our traditional virtues of respecting and caring the elderly, and allowed the disadvantaged groups in the village to feel the social care from our Bank, but also enhanced the sense of social responsibility and sense of mission of our Bank's young staff.



7. Contribution to Society

7.2 POPULARIZING FINANCIAL KNOWLEDGE

In order to carry out financial knowledge publicity and education service works in a systematic way, and improve the financial knowledge and financial risk prevention knowledge of customers and the general public, our Bank has formulated Measures of Weihai City Commercial Bank on the Management of Publicity and Education Work in Promoting Financial Knowledge to Protect Consumers' Right (《威海市商業銀行消費者權益保護金融知識宣傳教育工作管理辦法》) with an aim to help consumers guard against and resolve potential conflicts through popularizing financial knowledge and fostering financial awareness and literacy, so as to build a harmonious finance consumption environment and promote the healthy and sustainable development of the banking industry.

Popularizing Financial Knowledge through Multiple Channels

	<p>Outlets</p> <ul style="list-style-type: none"> Rolling display on LED screen to promote the theme of activities and repeated TV broadcast of promotion slogan or short videos in the hall; Promotion posters and leaflets with finance-themed knowledge.
	<p>Reaching out to the masses</p> <ul style="list-style-type: none"> Go to community, schools, military camps, factories and markets to carry out targeted and focused campaigns on popularization of financial knowledge by setting up promotion and education sites, mobile schools and finance service stations.
	<p>Mainstream media channels</p> <ul style="list-style-type: none"> Publish articles to popularise and promote financial knowledge in newspapers, journals, magazines and third party websites, as well as organize Q&A and quiz activities with awards.
	<p>Electronic and social medium</p> <ul style="list-style-type: none"> Popularize financial knowledge tips through online bank, mobile bank, WeChat official account, QQ and vlogs.

7. Contribution to Society

7.2 POPULARIZING FINANCIAL KNOWLEDGE (CONT'D)

Popularizing Financial Knowledge through Multiple Channels (Cont'd)

During the year, we held a series of diversified education activities on promoting financial knowledge such as “Right, Responsibility and Risk” 15 March promotion, promotion of “Financial Knowledge in China’s Financial Industry (金融知識金融萬里行)”, promotion of “month on the promotion of financial knowledge to every family (金融知識普及月金融知識進萬家)” and month on the promotion of guarding against illegal fund raising under the theme of “keep money safe to secure happy family (守住錢袋子·護好幸福家)” and promotion activities under the theme of “24-hours’ online acceptance and handling of banking consumer complaints through the WeChat official account of Luzhongxiaobao, the platform of banking consumer protection of Shandong province (魯眾小保山東省銀行業消保平台)”, concentrated campaign of anti-money laundering, promotion week campaign under the theme of “prevent and anti-gambling under financial protection (防賭反賭金融守護)”, promotion activities to guard against telecommunication fraud and the “month on fighting against counterfeit renminbi (反假人民幣宣傳月)”, whose aims are to improve the financial knowledge and self-protection awareness and ability of our customers and the public mass through comprehensive protection of financial consumers. We received the “Outstanding Organization Unit” award accredited by the Banking Association of Shandong province, which recognized our outstanding results in popularizing financial knowledge.



Case: Weihai City Commercial Bank Carried Out a “Month on Integrity for Prosperity (誠信興商宣傳月)” Campaign

During the “Month on Integrity for Prosperity” campaign this year, the Bank, through active promotion works in various ways such as business outlets publicity, distribution of promotional materials and visits to enterprises, has held 6 seminars on promoting integrity for prosperity, covering 205 participants and 620 consulting services recipients in total, which served a total of 1,820 people during the campaign. This campaign has received sound promotion results as it has enhanced our customers’ awareness on self-credit building and operation with integrity, enabled them to learn more about the foreign exchange policies and regulations as well as facilitation measures, and increased their vigilance against the risks and dangers of underground banks, illegal online foreign exchange speculation, cross-border gambling and other illegal cross-border financial activities.



Publicity of “month on the promotion of financial knowledge to every family”





Organizing citizens to take part in the “Anti-Money Laundering Knowledge Online Q&A” campaign

7. Contribution to Society

7.3 JOINTLY FIGHTING AGAINST EPIDEMIC

In 2020, the outbreak of the COVID-19 epidemic has brought unprecedented challenges to China and the world. In response to the national and local government’s requirements for epidemic prevention and control, Weihai City Commercial Bank took the prevention and control of the epidemic as its primary task and implemented the responsibility as a financial service institution to assist the prevention and control of the epidemic. The Bank has been taking a series of epidemic prevention and control measures to protect the health of our customers and employees, fully support enterprises to resume work and production, and help communities to fight the epidemic and tide over the difficulties.

Major Measures for Epidemic Prevention and Control

Leading Group for Epidemic Prevention and Control	
	<ul style="list-style-type: none">The Bank set up the COVID-19 prevention and control leading group with several working teams for such as staff safety protection, credit guarantee, online protection and cash security to comprehensively strengthen the organization and leadership of financial services for epidemic prevention and control, refine various financial services and safeguard measures, ensure smooth financial service channels, and provide customers with professional, efficient and safe financial services.
Ensuring the Safety of Business Outlets	
	<ul style="list-style-type: none">Strictly disinfected all business outlets of the Bank and maintained ventilation;Equipped each outlet with cash disinfection cabinet and the headquarter with a disinfection lamp car, strictly disinfected the incoming cash, and disinfected the cash counter and sorter daily;All employees of each business outlet were required to wear anti-virus masks to work, wash hands frequently or use disinfectant hand gel between work, and strengthened the travel management of employees;Each business outlet arranged a special person to measure the temperature of customers entering the business hall one by one, check the health code and required them to wear masks;Actively and extensively publicized online products and services, guided customers to handle their business through “non-contact” channels such as online banking, mobile banking, Wechat banking and telephone banking, ensured the safe and stable operation of online channels, ensured the timely and effective response of customer service hotline and reduced the gathering of physical outlets.

7. Contribution to Society

7.3 JOINTLY FIGHTING AGAINST EPIDEMIC (CONT'D)

Major Measures for Epidemic Prevention and Control (cont'd)

Smooth Financial Services



- A number of expedite channel services for fund transfer were opened to ensure the social donation account for anti-epidemic was set up quickly and the funds for epidemic prevention were appropriated to the account in time;
- For epidemic prevention and control related businesses, the application was handled immediately, and for the remittance of disaster relief funds that need to be handled by the outlets on the spot, the Bank arranged staff to work overtime in time, and reduced the handling charges;
- Increased credit preference during the period of epidemic prevention and control, gave priority to meeting the financing needs of hospitals and medical research institutions in sanitary and anti-epidemic, manufacturing and procurement of pharmaceutical products, public health infrastructure construction and scientific research;
- Actively connected with enterprises engaged in the production and operation of sanitary and anti-epidemic, drugs, medical devices and related materials, understood the credit demands incurred in epidemic prevention and control, opened up expedite channels for credit approval, formulated special service plans, simplified the business processes and improved the speed of credit approval;
- Fully implemented the policy of the State Administration of Foreign Exchange, established convenient channels for foreign exchange business related to epidemic prevention and control, and on the premise of meeting the regulatory requirements, simplified the process and procedures to the maximum extent to improve the efficiency of business processing.

Support for the Resumption of Works and Production of Enterprises




- In response to the financing demands from the enterprises for resumption of works and production, the Bank actively contacted the customers with maturing credit, studied the credit renewal plans and prepared the credit renewal procedures in advance, checked and approve the credit granted in an accelerated process in order to ensure the normal operation of customers efficiently;
- For the enterprises affected significantly by the epidemic, in particularly the micro and small enterprises in catering, hospitality, culture and tourism, logistics industries, the Bank helped them overcome the difficulties by adjusting the repayment scheme and interest period, appropriately lowering the loan interests and the flexible application of emergency refinancing, loan renewal without repayment of principal, extending the time limit, etc.;
- Launched the innovative "Anti-epidemic Loan (防疫貸)" and "Resumption Loan (复工贷)", cut the FTP pricing for micro and small enterprises and increased the coverage and support of micro-finance service in the special period.

7. Contribution to Society

7.3 JOINTLY FIGHTING AGAINST EPIDEMIC (CONT'D)

Major Measures for Epidemic Prevention and Control (cont'd)

Assistance for the Epidemic Prevention and Control of Communities



- Paid close attention to the knowledge of disease prevention and the epidemic information issued by the authorities, carried out the propaganda for epidemic prevention and control, popularized the knowledge of epidemic prevention and control, and guided the public to enhance the awareness and ability of prevention by making full use of the online and offline channels such as outlets, Wechat public accounts, etc.;
- Organized the staff to hold a donation of "Fighting the Epidemic". The funds of RMB745,000 raised on February 8 were transferred to Shandong Charity Association for the prevention and control of COVID-19, reflecting the Bank's sense of speediness and its social responsibility.



Case: Weihai City Commercial Bank Jointly Provided a "Resumption of Work and Production" Special Financing of RMB2 Billion with Weihai High-tech Zone

The Bank jointly held a signing ceremony of "Fighting the Epidemic, Financing the Resumption" for the cooperation with the Manage Committee of Weihai High-tech Zone. The parties provided a "Resumption of Work and Production" special financing of RMB2 billion for more than 30 enterprises in the zone. The cooperation between the Bank and Weihai High-tech Zone was a measure to implement the overall plan of the municipal Party Committee and the municipal government to promote epidemic prevention and control and economic and social development, effectively solving the financial problems caused by the epidemic. The Bank gave full play to its advantages, innovated the financial products and service modes, increased the credit supply, made full use of various policies to assist enterprises to restore production capacity and expand production with all efforts, making its own contributions to win the war of epidemic prevention and control.



7. Contribution to Society

7.3 JOINTLY FIGHTING AGAINST EPIDEMIC (CONT'D)

Major Measures for Epidemic Prevention and Control (cont'd)



Case: Weihai City Commercial Bank Opened Expedite Channels for Disaster Relief Funds

For those emergency and special services such as disaster relief fund remittance that need to be handled through the counter, the Bank was opened expedite channels for immediate response and processing, whereby a total of 65 emergency services with the funds of RMB145 million (including 48 charity donations of RMB60 million) were handled.



Case: Weihai City Commercial Bank Opened "Expedite Approval Channels" for Enterprises

A pharmaceutical company in Weifang was responsible for the purchase of anti-epidemic materials, which faced the restraint in liquidity and was unable to purchase normally due to the increasing demands for anti-epidemic materials. Being aware of the problem, the Bank communicated with the customer at the first time and customized a special solution according to the actual situation of the enterprise. Overcoming the difficulties in personal credit inquiry, traffic inconvenience and other factors during the epidemic period, the Bank opened the "expedite approval channels" for the enterprise and completed the credit approval in a working day based on the principle of "Special Affairs and Urgent Affairs" with controlled risk, compliant procedures and complete core material. The commercial notes discount of RMB90 million alleviated the financial tension of the customer, helped the customer further expand the scale of procurement, and played a positive role in supporting epidemic prevention and control.



8. CO-BUILDING OF GREEN ENVIRONMENT

The Bank is committed to building a green and low-carbon bank. In addition to actively promote green finance and green credit, we also implement a series of green operation measures and develop green services to promote green operations and work with customers to build a green environment.

8.1 PROMOTING GREEN FINANCE

The Bank regards supporting and promoting the harmonious and sustainable development of society and the environment as its legal, economic and moral responsibilities, and continues to strengthen its support for green finance, and coordinated and unified self-development with society and environment while pursuing economic benefits. As of the end of December 2020, the Bank's green credit loan balance was RMB9.832 billion, representing an increase of RMB2.833 billion or 40.48% over that as at the beginning of the year.

In terms of organizational structure, the Bank has supported the development of green credit by incorporating it into its articles of association. We have established a multi-line, cross-departmental green finance project team, with the president of the headquarters serving as the leader of the project team, and the vice presidents in charge of the relevant divisions as deputy team leaders. We have arranged the deployment of resources in accordance with the requirements of green finance development to ensure the completion of related work plan.

In terms of system development, the Bank has established and improved the Green Credit Management Measures of Weihai City Commercial Bank Co., Ltd. (《威海市商業銀行綠色信貸管理辦法》). We have formulated corresponding standards from various dimensions including identity management, market entry, credit process management, post-credit management, and assessment management, and actively fulfill the industrial credit policy guidance. With green credit adjustment as the focus, we optimized the Bank's credit structure and effectively prevented environmental and social risks.

In terms of policy steer, the Bank has strengthened its credit policy guidelines and advocated "green credit". We insisted on taking structural adjustment as the center, made full use of the business development opportunities brought by the national implementation of energy-saving and emission-reduction strategies, and focused on supporting the fields of green manufacturing, clean and low-carbon energy, green urbanization, emission reduction and circular economy, etc., to continuously improve service capability for green finance.

In terms of product innovation, for green credit, we have launched a contracted energy management project financing business and the "Zhilongtong (智領通)" business for technological enterprise innovation.



8. Co-building of Green Environment

8.1 PROMOTING GREEN FINANCE (CONT'D)



Case

A company is an emerging biotechnology-based eco-friendly technology company with its own core patented technology. It uses sugar and enzymes as raw materials to produce polysaccharide polymer materials. Its main product is flocculant, a product with features of good flocculation effect, eco-friendly, easy to filtration and removal. Flocculant is mainly used in water pollution treatment, including wastewater treatment in the fields of printing and dyeing, heavy metals, food, medicine, chemical industry, etc. It belongs to a new generation of green and environmental-friendly water treatment agent products. The company is a start-up technology company. As a newly established company, its product market has not yet expanded to a large scale, and is under certain liquidity pressure. Similar to other technology companies, the company itself has fewer fixed assets that can be used for the mortgage. In response to the above situation, the Bank confirmed that the company meets the requirements of the annual green credit policy and provided it with credit support of RMB20 million, effectively solving the company's financing difficulties.

8.2 ADVOCATING GREEN OPERATION

The Bank is committed to supporting and promoting the sustainable development of the environment and integrating the concept of low-carbon and environmental protection into its business operations. The Bank belongs to the financial industry and has a relatively small impact on the environment and natural resources, mainly including office and heating electricity, water, office materials and paper use, office waste generation, and pollutant emissions when using its vehicles. We have strictly abided by the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and other relevant environmental laws and regulations. We have adopted a number of effective measures to reduce exhaust gases, greenhouse gases emissions and wastes and to save energy and water. And we strive to implement green and low-carbon operations. During the Reporting Period, the Bank has experienced no violations of laws and regulations related to emissions of waste gas and greenhouse gases, discharge to water and land, and the generation of hazardous and non-hazardous wastes.



8. Co-building of Green Environment

8.2 ADVOCATING GREEN OPERATION (CONT'D)

Key Measures for Green Operation

Energy-saving and Emission-reduction

Lighting System

- Turn off the lights when not using the office;
- Use energy-efficient lamps, such as LED;
- Divide the office into a number of different lighting areas that can be independently controlled by lighting switches;
- Install motion sensors in places that are not frequently used.

Air Conditioning System

- Turn off the air conditioning system when not using the office;
- Adopt an energy-efficient air-conditioning system;
- Set the minimum indoor air-conditioning temperature in summer to 26 degrees Celsius;
- Clean the filter screen and the coil fan (盤管式風機) regularly.

Electronic Office Equipment

- Turn off electronic equipment completely during non-working hours;
- Set the computers to be automatic standby or enter sleep mode when idle;
- Use energy-efficient electronic equipment;
- Use virtualized computer equipment to reduce power consumption and hardware installation.

Company Vehicles

- Carry out maintenance for the Company's fleet, regularly inspect the vehicles and keep the tires full;
- Turn off the engines when the vehicles are not in use;
- Encourage employees to take public transportation and shared transportation.



8. Co-building of Green Environment

8.2 ADVOCATING GREEN OPERATION (CONT'D)

Key Measures for Green Operation (cont'd)

Water Management

- Promote water conservation and post reminder signs in relevant places;
- Be sure to firmly turn off the faucet after use;
- Use faucets with water-saving labels and infrared sensors;
- Regularly conduct water pipe leakage test to check for water leakage.

Waste and Resource Management

- Non-hazardous wastes are collected and processed by special cleaning staff, and recyclable waste papers are sent to waste paper recycling companies for recycling;
- Hazardous wastes, such as computers, are recycled and processed by a qualified third party;
- Reduce the use of disposable and non-recyclable products;
- Reuse envelopes, binders and other stationery;
- Reuse the pen barrel by replacing pen refills.

Promoting Paperless Office

- Use electronic office system to reduce paper usage;
- Regularly monitor the number of copies and set printing quotas for users when feasible;
- Perform paper usage statistics on a regular basis to monitor paper consumption;
- Promote reuse or double-sided use of paper, and post reminder signs.



8. Co-building of Green Environment

8.2 ADVOCATING GREEN OPERATION (CONT'D)

Carrying Out Green Services

In addition to the above green operation measures, the Bank has also launched green services, including the development of electronic businesses and the building of paperless counters, so as to build a green and low-carbon customer-centered bank with all-rounded functions and good customer experience.

Development of Electronic Businesses

By using innovative electronic payment financial products as a means and taking channel personalized service as the goal, the Bank has established green service channels including mobile banking, direct banking, WeChat banking, online banking, self-service banking, etc. The replacement rate of electronic banking is increasing year by year, which will reduce the consumption of consumables such as paper.

Building of Paperless Counters

In September 2020, the Bank's paperless counter project was officially put into service. After the realization of paperless counter service, more than 90% of personal business and 20% of corporate business have been paperless, and paper vouchers have been reduced by more than 70%, which effectively reduced the costs and risks of storage and safekeeping of paper vouchers and greatly reduced counter operating costs. Since there is no need to fill in and print out orders, a lower probability of filling errors in documents is recorded, the waiting time of customers at the counter is reduced and customer experience is improved. The commissioning of the paperless counter project is a major reform in the counter operation process and an important step for the Bank towards "online and digital" counter operations.



APPENDIX I: KPI DATA TABLE

Environmental Performance ¹	Unit	2020
Air Emissions ²		
Nitrogen oxides (NO _x)	kg	85.56
Sulphur oxides (SO _x)	kg	0.10
Particulate matter (PM)	kg	8.20
Greenhouse Gas Emissions ³		
Direct greenhouse gas emissions (Scope 1) ⁴	tonne of CO ₂ e	25.36
Indirect greenhouse gas emissions (Scope 2) ⁵	tonne of CO ₂ e	154.56
Total greenhouse gas emissions (Scopes 1 and 2)	tonne of CO ₂ e	179.92
Greenhouse Gas Emissions Intensity		
Greenhouse gas emissions intensity (area)	tonne of CO ₂ e/m ²	0.03
Greenhouse gas emissions intensity (person)	tonne of CO ₂ e/staff	0.39
Energy Consumption		
Total electricity consumption	kWh	253,333.00
Total electricity consumption intensity (area)	kWh/m ²	47.49
Total electricity consumption intensity (person)	kWh/staff	545.98
Gasoline consumption by vehicles	liter	6,623.00

¹ The scope of environmental data includes the Bank's head office.

² Air emissions from the vehicles of the Bank.

³ The calculation is made by reference to the Greenhouse Gas Protocol published by the World Resources Institute and the World Business Council for Sustainable Development.

⁴ The direct greenhouse gas emissions were generated from the sources owned and controlled by the Bank.

⁵ The indirect greenhouse gas emissions were caused by electricity generation, heating and cooling.

Appendix I: KPI Data Table

Environmental Performance ¹	Unit	2020
Water Consumption		
Total water consumption	m ³	2,425.53
Total water consumption intensity (area)	m ³ /m ²	0.45
Total water consumption intensity (person)	m ³ /staff	5.23
Hazardous Waste		
Generation of used computers	unit	64
Recycling of used computers	unit	64
Generation of used toner cartridges/ink boxes	unit	406
Recycling of used toner cartridges/ink boxes	unit	406
Generation of used batteries ⁶	unit	2
Recycling of used batteries ⁶	unit	2
Non-hazardous Waste		
Generation of non-hazardous waste	kg	488.88
Non-hazardous waste intensity (person)	kg/staff	1.05
Recycling of non-hazardous waste	kg	240.00
Paper Consumption		
Paper consumption	tonne	12.69
Paper consumption intensity (person)	tonne/staff	0.03

⁶ Refers to UPS storage batteries.

Appendix I: KPI Data Table

Social Performance ⁷	Unit	2020
All staff	person	2,981
Total Number of Staff (by Gender)		
Female staff	person	1,666
Male staff	person	1,315
Total Number of Staff (by Age Group)		
Aged below 30	person	897
Aged 30-50	person	1,983
Aged over 50	person	101
Total Number of Staff (by Staff Category)		
Entry-level staff	person	2,159
Middle management	person	812
Senior management	person	10
Total Number of Staff (by Geographical Region)		
Staff in North China	person	2,981
Staff Turnover Rate ⁸ (by Gender)		
Female staff	percentage	5.00%
Male staff	percentage	6.50%

⁷ The scope of social data includes the entire group.

⁸ Calculation method: number of staff turnover ÷ number of staff at the end of the year × 100%.

Appendix I: KPI Data Table

Social Performance ⁷	Unit	2020
Staff Turnover Rate ⁸ (by Age Group)		
Aged below 30	percentage	8.80%
Aged 30-50	percentage	4.40%
Aged over 50	percentage	3.00%
Staff Turnover Rate ⁸ (by Geographical Region)		
Staff in East China	percentage	5.70%
Percentage of Staff Trained (by Gender)		
Female staff	percentage	55.89%
Male staff	percentage	44.11%
Percentage of Staff Trained (by Staff Category)		
Entry-level staff	percentage	72.43%
Middle management	percentage	27.24%
Senior management	percentage	0.34%
Average Number of Training Hours Per Staff (by Gender)		
Female staff	hour	40
Male staff	hour	40
Average Number of Training Hours Per Staff (by Staff Category)		
Entry-level staff	hour	40
Middle management	hour	40
Senior management	hour	40

Appendix I: KPI Data Table

Social Performance ⁷	Unit	2020
Occupational Health and Safety		
Work-related fatalities	person	0
Lost days due to work-related injuries	day	0
Anti-corruption		
Number of concluded legal cases regarding corrupt practices brought against the Bank or staff	case	0



APPENDIX II: THE ESG REPORTING GUIDE CONTENT INDEX OF THE HONG KONG STOCK EXCHANGE

Indicator Content		Respective Section	
A. Environmental Areas			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	8.2 Advocating Green Operation
	A1.1	The types of emissions and respective emissions data.	Appendix I: KPI Data Table
	A1.2	Greenhouse gas emissions in total and intensity.	Appendix I: KPI Data Table
	A1.3	Total hazardous waste produced and intensity.	Appendix I: KPI Data Table
	A1.4	Total non-hazardous waste produced and intensity.	Appendix I: KPI Data Table
	A1.5	Description of measures to mitigate emissions and results achieved.	8.2 Advocating Green Operation
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	8.2 Advocating Green Operation
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	8.2 Advocating Green Operation
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Appendix I: KPI Data Table
	A2.2	Water consumption in total and intensity.	Appendix I: KPI Data Table
	A2.3	Description of energy use efficiency initiatives and results achieved.	8.2 Advocating Green Operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	8.2 Advocating Green Operation The water consumed in the offices of the Bank is supplied by the municipal government, and there is no issue in sourcing water
	A2.5	Total packaging material used for finished products and proportion of per unit produced.	Not applicable, as the Bank's business does not involve packaging materials
A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	8. Co-building of Green Environment
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	8. Co-building of Green Environment

Appendix II: The ESG Reporting Guide Content Index of the Hong Kong Stock Exchange

Indicator Content			Respective Section
B. Social Areas			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Protection of Employees' Rights and Interests
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: KPI Data Table
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: KPI Data Table
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.3 Employees' Health and Safety
	B2.1	Number and rate of work-related fatalities.	6.3 Employees' Health and Safety Appendix I: KPI Data Table
	B2.2	Lost days due to work injury.	6.3 Employees' Health and Safety Appendix I: KPI Data Table
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.3 Employees' Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.2 Valuing Employees' Growth
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, and middle management).	Appendix I: KPI Data Table
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: KPI Data Table

Appendix II: The ESG Reporting Guide Content Index of the Hong Kong Stock Exchange

Indicator Content			Respective Section
B4: Labour Standards	B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Protection of Employees' Rights and Interests
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Protection of Employees' Rights and Interests
	B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Protection of Employees' Rights and Interests
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.4 Supplier Management
	B5.1	Number of suppliers by geographical region.	3.4 Supplier Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.4 Supplier Management
B6: Product Responsibility	General Disclosure	Product responsibility: Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5. Quality Customer Services
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable, as the Bank's business does not involve product recall
	B6.2	Number of products and service related complaints received, and how they are dealt with.	5.1 Improving Services Quality
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.3 Strictly Compliant Operation
	B6.4	Description of quality assurance process and recall procedures.	Not applicable, as the Bank's business does not involve quality assurance and product recall
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.2 Safeguarding Customers' Privacy

Appendix II: The ESG Reporting Guide Content Index of the Hong Kong Stock Exchange

Indicator Content		Respective Section	
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.3 Strictly Compliant Operation
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	3.3 Strictly Compliant Operation
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.3 Strictly Compliant Operation
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates, and to ensure that its activities take into consideration the communities' interests.	7. Contribution to Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sports).	7. Contribution to Society
	B8.2	Resources contributed to the focus areas.	7. Contribution to Society

