Environmental (Climate), Social and Governance (ESG) Risk Management Policy of Ping An Bank

I Scope of Application

This policy applies to relevant financing businesses in which Ping An Bank (hereinafter referred to as the "Bank") directly participates, and covers all corporate credit customers of the Bank.

II Principles and Objectives

In order to fulfill the strategic goal of "carbon peak by 2030 and carbon neutrality by 2060" and actively serve various economic activities with both environmental and social benefits and prevent related risks, the Bank has formulated environmental (climate), social and governance (ESG) risk management measures to effectively identify, monitor and control ESG risks of corporate credit customers (hereinafter referred to as "credit customers"). While ensuring stable returns in the medium and long term, the Bank provides financial support for the high-quality development of the real economy, and further improve the comprehensive risk management system.

The Bank's ESG risk management for credit customers follows four principles:

- **Principle of Process Incorporation:** Credit customers should incorporate and assess ESG risks in all aspects of credit management before, during and after lending, and implement relevant risk management measures to minimize losses arising from ESG risks.
- **Principle of Due Diligence Management**: In accordance with the Bank's relevant policy and institutional framework, conduct a comprehensive, in-depth and detailed investigation of ESG risks of credit customers and continuously monitor risk changes to ensure due diligence and compliance.
- **Principle of equal priority:** Under the same conditions, green and low-carbon transformation businesses that comply with regulatory green financing and green loan certification standards will be given priority credit resources support.
- **Principle of Prudent Intervention**: According to the Bank's assessment criteria, customers recognized as Category D (high risk) in ESG risk

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classification shall be prudently intervened.

III Business Risk Management Incorporating ESG (Including Climate) Impacts

The Bank strengthens the ESG risk management of credit customers' credit business in the course of pre-loan, mid-loan, after-loan by incorporating ESG risk management into business procedures such as due diligence coordination, credit approval, contract management, fund disbursement, and post-loan management. The Bank has formulated the classification standards and application and review process for ESG risk assessment of credit customers, which divides credit customers into four categories: A, B, C, and D. With the management of a list system, classification results of ESG risk assessment is incorporated into the credit rating and credit approval. By formulating ESG risk warning indicators for credit customers and incorporating them into the unified management of the Bank's customer risk warning system, the Bank forms an ESG risk management system for credit customers covering the entire credit process.

The ESG risk management focus of the entire credit approval process for credit customers includes but is not limited to :

- Environmental Risk: climate physical risk, climate transition risk, biodiversity loss risk, environmental pollution risk, greenhouse air emission risk, missed green development opportunity risk, resource price change risk, etc.
- Social Risk: industrial transformation and upgrading risk, industrial chain stability and supplier management risk, customer privacy data leakage risk, product quality risks, labor relations risks, etc.
- Governance Risk: Governance risk among shareholders, Governance risks between shareholders' meetings, and the board of directors and the board of supervisors, Governance risks of operational management: business ethics risk, information disclosure compliance risk, etc.

At the same time , the Bank has formulated a negative list for ESG risk assessment , which covers 86 risk situations (including 16 situations directly identified as “high-risk customers” and 70 situations included in the comprehensive score deduction items).

The Bank categorizes its ESG risk assessment for credit customers as follows:

Category A, which is low risk, refers to the credit customer has strong environmental (climate), social and governance risk management capabilities, and its operating activities generally do not give rise to ESG risks and are less likely to give rise to credit, reputation and compliance risks.
Category B, which is medium risk, refers to the credit customer has certain environmental (climate), social and governance risk management capabilities, and its operating activities may trigger ESG risks and may derive certain credit, reputation and compliance risks.
Category C, which is medium-high risk, refers to the credit customer has poor environmental (climate), social and governance risk management capabilities, and its operating activities may trigger higher ESG risks and derive higher credit, reputation and compliance risks.
Category D, which is high risk, refers to the credit customer has poor environmental (climate), social and governance risk management capabilities, and its operating activities may trigger serious ESG risks and derive extremely high credit, reputation and compliance risks.

Based on ESG risk classification, the Bank carries out list management for credit customers identified as Category D and Category C. For significant ESG risk points of Category D and C customers, the Bank arranges and urges relevant departments to put in place corresponding risk mitigation measures and relief clauses in case of customer default, which are included in the credit approval terms. Besides, the Bank requires Category D and C customers to provide the ESG risk report and relevant statements and commitments on addressing significant ESG risk points. For credit customers with significant risk vulnerability, the disbursement of funds will be suspended or terminated according to the contract agreement, depending on the circumstances.

IV Investment and Financing Policies for Relevant Specific Industries

The Bank has established investment and financing policies related to industries such as agriculture, climate change, biodiversity, energy use, mining, and oil and gas. The Bank differentiates the ecological and environmental impact risks that should be assessed during the credit admission process for relevant industries. For specific industries with significant impact risks, different indicators are set at the admission stage to enhance risk management.

- Agricultural Industries

The Bank continues to increase credit support for agriculture focusing on its sub-divided sectors. Besides, by directing more credit allocation to resource-saving modern agricultural industries featuring digitalization and intelligence, we actively assist agricultural business operators in carrying out energy conservation and emission reduction as well as sustainable operations. We include requirements such as compliance with laws and regulations, quality assurance and environmental protection in the admission standards for agricultural customers. We prioritize industrialized agricultural enterprises with the scale advantage, brand effect and technological strengths. For credit approval, we strictly adhere to the bottom line of environmental and social risk compliance and implement a "one vote veto" for projects and companies that are expressly prohibited by the state or do not comply with environmental protection regulations. We deny credit admission to customers with significant environmental and climate risks such as violations of environmental laws or excessive emissions.

- Energy Industries

The Bank reasonably and efficiently allocates credit resources to energy-related industries. We implement a "one vote veto" for projects and companies that are expressly prohibited by the state or do not comply with environmental protection regulations. Besides, we resolutely withdraw from the business of coal power units expressly eliminated by the state due to backward production capacity. Thus, we form the incentive mechanism for green credit, and the constraint mechanism that limits loans to high-pollution and highly energy-consuming industries. For the thermal power industry: We support excellent thermal power enterprises to eliminate backward production capacity, thereby increasing the financing demand from green transformation in areas related to energy efficiency and emissions. These areas include energy conservation transformation projects such as flexibility improvement and carbon emission reduction in the thermal power industry. For the field of green energy: such as wind power generation, solar power generation, waste-to-energy power generation, nuclear power generation, and hydropower generation industries, we lower customer eligibility criteria to expand the customer base, and therefore fully support the development of clean energy.

- Copper, Aluminum Mining and other industries

The Bank specifies the admission standards for project financing, and implements a "one vote veto" for environmental and climate risks. We deny credit admission to customers and projects with significant environmental and

climate risks, and resolutely withdraw from cooperation with enterprises failing to meet environmental standards and requirements for energy conservation and emission reduction. Meanwhile, we actively support mining industries and enterprises with outstanding ecological environments, safe and scientific mining methods, and high resource utilization.

- Oil and Gas Mining industries

The Bank pays close attention to and actively identifies the ESG risks of petrochemical projects, and defines the admission standards for relevant customers and projects. We issue risk warnings for enterprises when their project production or construction progress lags far behind, the project acceptance fails to address major hazards, or the project operation load is below the expected capacity. We also implement a "one-vote veto" for projects and companies that are expressly prohibited by the state or do not comply with environmental protection regulations. Besides, we deny credit admission to customers with significant environmental and climate risks such as violations of environmental laws or excessive emissions. In addition, we resolutely exit enterprises and projects with high pollution, backward production technology, failure to meet energy consumption standards, or major work safety accidents. We also actively support oil and gas related enterprises to carry out low-carbon and energy conservation and consumption reduction transformations.

- Biodiversity

The Bank identifies and pays attention to credit customers' biodiversity risks, which have been incorporated into their ESG risk assessment and credit management process. Our negative list of ESG risk assessments covers scenarios such as violations of national regulations on the protection of biodiversity resources and cultural heritage, or high dependence on ecological products with susceptibility to serious operation damage due to "loss of biodiversity". We prudently assess the environmental and social risks of credit customers to determine relevant credit policies.

This policy statement is interpreted and revised by Ping An Bank, which will review and update the policy statement as necessary in accordance with national policies, regulatory requirements, industry trends, and internal circumstances.

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