SHANGHAI COMMERCIAL BANK



2023 Sustainability Report

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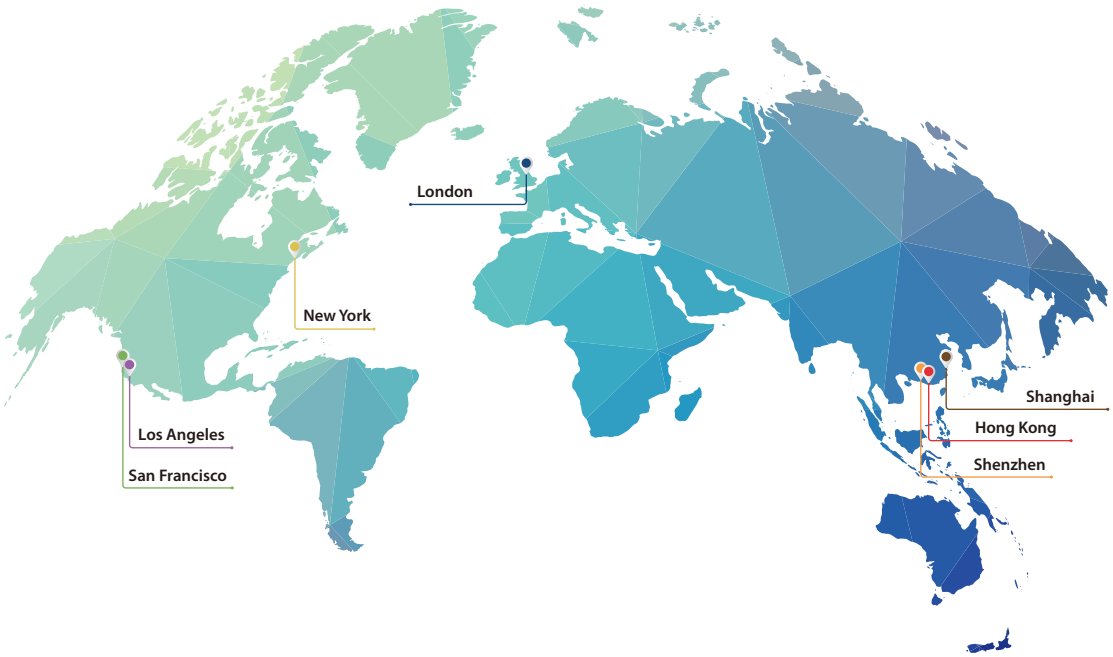
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ABOUT SHANGHAI COMMERCIAL BANK

Shanghai Commercial Bank ("the Bank" or "SCB") is a renowned local Chinese bank in Hong Kong that has been operating since 1950, building on its core strengths and holding a niche market position in serving corporate and personal customers, with a particular focus on Small and Medium-Sized Enterprises ("SMEs") and high-net-worth individuals.

With "Serving the Community" as motto and "For Personalized Service" as principle, the Bank seeks to meet customers' needs with a comprehensive range of banking products and services, including loans, deposits, trade finance, remittances, securities trading, investment and wealth management, life and general insurance products, treasury products, foreign exchange, credit cards, international banking, internet and mobile banking, through teams of banking professionals across the international network of 50+ offices and branches in Hong Kong, Mainland China, the United States, and the United Kingdom.



For over 20 years, the Bank has formed a strategic alliance with Bank of Shanghai in Mainland China and The Shanghai Commercial & Savings Bank in Taiwan and built our brand image as "Three Shanghai Banks, All Caring for You" (「三地上銀，一心為您」). This service philosophy delivers one-stop and cross-strait banking services through a broad footprint comprising more than 400 outlets worldwide.

Shanghai Commercial Bank at a Glance (As of 31 December 2023)



Return on average equity at **4.5%**



International network of **50+** offices and branches



Total headcount of the Group was **1,929** (including part-time employees)



Consolidated profit after tax of the Bank for 2023 was **HK$1,569 million**



Total customer deposits of **HK$179 billion** at the end of 2023



Loan to deposit ratio at **50.1%**



Total assets of **HK$230 billion** at the end of 2023



Return on average assets at **0.7%**



Total capital adequacy ratio and Common Equity Tier 1 ratio were **26.6%** and **22.5%** respectively



Liquidity maintenance ratio stayed at a comfortable level throughout the year with an average of **59.9%**

Our Bank's Vision, Mission and Values

Our Vision

- To be a trusted bank choice of customers in Greater China, served by our staff capable of delivering comprehensive one-stop personalized service, supported by distinctive commercial and international banking capabilities, and innovative digital platform, for sustainable development

Our Mission

- Sustain business growth through value creation to our customers and shareholders
- Cherish the values of our people with rewarding career opportunities and development
- Build a strong network with our partners to develop long term relationship

Our Values



ABOUT THIS REPORT

Reporting Scope, Boundary, and Period

The Sustainability Report presents a detailed overview of the Bank's practices and achievements in addressing sustainability issues, including Environmental, Social and Governance ("ESG"), as well as Green and Sustainable Banking ("GSB") initiatives, which are material to the Bank and stakeholders. This report complements the information provided in the Bank's 2023 Annual Report and covers all operations in which we have a majority stake and activities over which we exercise full management control. The reporting period is from 1 January to 31 December 2023 (the "Reporting Year").

Reporting Framework

This report has been developed with reference to the provisions of the ESG Reporting Guide outlined in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The recommendations put forward by the Task Force on Climate-related Financial Disclosures ("TCFD"), which was established by the Financial Stability Board, were also referenced.

Reporting Principles

Materiality

We are committed to continuously enhancing our business strategy to further integrate sustainability-minded practices into our operation. The Board Statement on Sustainability and Our Approach to Sustainability sections offer insights on our approach for identifying the non-financial topics that are material to the Bank and its stakeholders.

Quantitative

Our Sustainability Report covers how we manage our material topics by stating our approach and performance during the Reporting Year and the plan beyond. To provide transparency and meaningful information, we communicate our performance by disclosing metrics that align with the Key Performance Indicators ("KPIs") of Appendix C2 of the Listing Rules, which references methodologies developed by the Global Reporting Initiative Standards.

Balance

We strive to present an unbiased picture on the Bank's sustainability performance to our stakeholders and readers of this Sustainability Report, where our achievements around material sustainability-related topics are hereby disclosed in a transparent manner.

Consistency

The report adopts consistent methodologies as per previous reports issued and allows a fair comparison. Where applicable, we will communicate any changes to reporting scope or boundary in this section of the report, and any restatements of quantitative information will be signalled in the Our Performance section with supporting rationale.

Feedback

Readers may share comments or suggestions regarding the contents of this report by contacting us at:

contact@shacombank.com.hk www.shacombank.com.hk

BOARD STATEMENT ON SUSTAINABILITY

The Board of Directors (the "Board") of Shanghai Commercial Bank considers sustainability in operations and growth as significant for ensuring resilience to environmental and climate risks, and for contributing long-term to our society, as exemplified by the Hong Kong Special Administrative Region ("HKSAR") Government's Climate Action Plan 2050 and the development of green and sustainable finance in Hong Kong.

In 2023, the Board continued to uphold the sustainability objectives with further spanning to green and sustainable finance and climate risk-related matters, including:

- Directing the Bank's sustainability priorities, as well as upholding its sustainability vision
- Maintaining effective governance structure to manage the Bank's sustainability risks and opportunities
- Determining and reviewing the Bank's ESG and GSB goals
- Reviewing the Bank's sustainability-related policy and strategy frameworks such as the Climate Risk Management Framework

The Sustainability Committee plays a crucial role in overseeing the development and implementation of the Bank's sustainability strategy, while the management-level Sustainability Working Group is responsible for driving sustainability-related strategies and monitoring corresponding performance and progress. Facilitated by these two governing bodies, the Board approved the revised version of several bank-wide policies and frameworks, including the Sustainability Policy, Climate Risk Management Framework, and sustainability-related KPIs during the Reporting Year to clearly stipulate the responsibilities and duties of relevant parties.

Building upon the assessment of material sustainability topics conducted in the preceding year, the Board reviewed and approved the streamlined material topics, which were identified and assessed via internal stakeholder engagement and considered as material to both the Bank's business and external environment for more effective monitoring and execution of relevant KPIs, as well as reporting of our sustainability performance. Details of the materiality statement for 2023 are outlined in the Our Approach to Sustainability section. The information presented in this report will be as reference for reviewing the Bank's performance going forward.

In 2023, the Board's proactive approach in managing sustainability-related matters included:



Keeping abreast of the latest regulatory requirements and market trends on sustainability issues through participation in various internal meetings, regulatory forums and trainings



Reviewing the results of the Bank's Climate Risk Stress Test ("CRST")



Monitoring the Bank's progress towards aligning with Appendix C2 of the Listing Rules, and the Recommendations of the TCFD regarding disclosure



Reviewing performance of the Bank's sustainability-related KPIs as well as overseeing climate risk-related management



Directing the Bank to pursue opportunities for sustainable financing

Going forward, the Bank will deepen ongoing investment in our people and systems. We will also explore new business opportunities in the realm of green and sustainable finance for our corporates/ SMEs and individual customers through our sustainability and digital transformation initiatives, in order to generate long-term value for our stakeholders and contribute to the wellbeing of the society.

CHIEF EXECUTIVE'S MESSAGE

Hong Kong's long-term goals around climate action have emphasized the importance of sustainability for individuals, stakeholders of the Bank, and the society as a whole. We have endeavoured proactively with pragmatic actions throughout our sustainability journey, and I hope to bring out the present and future of this journey via this report.

Pursuing Our Vision

Our vision is to be a trusted bank that promotes sustainability through integrating our sustainable operations, culture and business together with our stakeholders and community. Robust governance structure is in place to drive the Bank to champion sustainability, spanning across from our Board of Directors, Board-level committees, senior management and extending to our staff as instilled in our Bank Culture.

Putting into Practice

In 2023, our investment in ESG and GSB propelled us further along our journey, and multiple environmentally friendly initiatives were launched to accelerate sustainable operations. We continued to nurture our workforce by creating a harmonious workplace and helping those in need by supporting Corporate Social Responsibility projects. We also enhanced our position in the GSB space by collaborating with the Hong Kong Quality Assurance Agency and devising relevant guidelines and procedures, allowing us to better capture emerging business opportunities in GSB.

Envisioning Sustainable Banking

Sustainability is a shared responsibility that transcends individual roles and permeates across every facet of our Bank. We will step up our efforts to foster a sustainability mind-set and jointly collaborate with our customers and staff as well as other stakeholders, with a common goal to protect the environment and enhance the well-being of our society at large.

The Bank, with the engagement and dedication of our staff as well as the trust and support from our valued customers, business partners, and shareholders, continues to make positive contributions to the society through the sustainability journey. I would like to express my sincere gratitude and invite you all to shape a better future and a sustainable environment in which we all live.

David Sek-chi KWOK
Managing Director & Chief Executive

2023 HIGHLIGHTS AND PROGRESS UPDATE

SUSTAINABLE OPERATIONS HIGHLIGHTS

Closely tracked our environmental footprint:

- Reviewed and enhanced our environmental targets in reducing greenhouse gases ("GHG") emissions, energy consumption, waste generation and water consumption
- 1.7% of reduction in energy consumption, 3.1% reduction in GHG emissions and 2.8% reduction in water consumption from 2022
- Engaged with CLP Power Hong Kong Limited to conduct energy audit for our office in Kowloon Commerce Centre

Recognitions and new developments across multiple sustainability aspects:

- Awarded the Wastewi$e Certificate issued by the Hong Kong Green Organisation Certification ("HKGOC") since 2015
- Received the Pioneering Award for Climate Disclosure Contribution and the Pioneering Award for ESG Disclosure Contribution issued by the Hong Kong Quality Assurance Agency ("HKQAA") in 2023
- Integrated the requirements from the U.K. Modern Slavery Act 2015 into our supplier engagement process
- Launched new eco-friendly uniform

Progress

Electricity consumption	11.7% reduction against base year 2020
Greenhouse Gas Emissions	9.0% reduction against base year 2020
Paper consumption	45.7% reduction against base year 2020
Water consumption	Gradually decreased
Non-hazardous & hazardous waste	Gradually decreased

Note: The Bank's progress of KPIs under Sustainable Operations have met their respective milestones in 2023.

CULTURE HIGHLIGHTS

Continued investing in our people:

- Increased total training hours: 77,146 hours in 2023 (+3.7% compared to 2022)
- Increased average training hours per Staff: 39.4 hours in 2023 (+11.6% compared to 2022)

Contributed to the community through financial and in-kind donations:

- Contributed approximately HK$10.1 million and participated in 66 Corporate Social Responsibility ("CSR") events
- Received the "15 Years Plus Caring Company" Award from the Hong Kong Council of Social Service

Accomplishment

ESG-related training provided to employees	20 hours
ESG-related training arranged for the Directors	26 sessions
Gender diversity and inclusiveness within force	Only 2.2% deviation from the benchmark figures[1] (a 45% reduction against base year 2022)
Conviction of fraud, bribery or corruption related offences	0 case
Reportable incident on customer data and employment-related personal data	0 case
Roles and responsibilities in governance structure and risk management framework	Established and reviewed annually
Supplier Code of Conduct	Established and reviewed annually
Work injury rate	Lower than the benchmark figure[2]
Substantiated complaints from customers	Lower than the benchmark figure[3]

Note: The Bank's progress of KPIs under Culture have met their respective milestones in 2023.

1 The Hong Kong labour force gender mix of 2022 published by the Census and Statistics Department of Hong Kong
2 The Hong Kong occupational injury rate of 2022 published by the Labour Department of Hong Kong
3 The average number of complaints per Authorized Institution received by the Hong Kong Monetary Authority ("HKMA") in the same period

BUSINESS HIGHLIGHTS

Engaged certification institutions for green certification:

- Signed the **Memorandum of Understanding with HKQAA** to form a strategic partnership and support corporate customers in green transformation and sustainable development

Reviewed our green and sustainable finance offerings:

- A total of **70 ESG** products on product shelf
- Participated in ESG syndicated lending
- Prepared framework and procedures for green loan business
- Rolled out "**ESG Fund**" promotion campaign to encourage wealth management customers' participation in environmental conservation

Enhanced climate risk management:

- Reviewed and updated the **Climate Risk Management Framework**

Continued to digitalise our services:

- Launched the second phase of **Shacom Bank** mobile application, enabling our customers to open deposit accounts, securities account and apply for credit card at their fingertips
- Launched the **SME Internet Banking** to improve SME customer experience with additional features
- Approved by HKMA in the adoption of **Open API/Data** to streamline credit application and underwriting
- Revamped our **SME Onboarding and Loan Application Platform**
- Unveiled the Silver Bond online subscription service
- The tri-bank **InnoFuture of FinTech Challenge** concluded with success to foster closer collaboration in local and cross-strait fintech application and development

Progress

ESG-related syndicated lending newly approved	HK$0.8 billion
ESG-related bonds held	HK$5.4 billion (increased HK$1.5 billion compared to base year 2022)
Climate Risk Management Framework and Climate Risk Appetite Statement	Established and reviewed annually

Note: The Bank's progress of KPIs under Business have met their respective milestones in 2023.

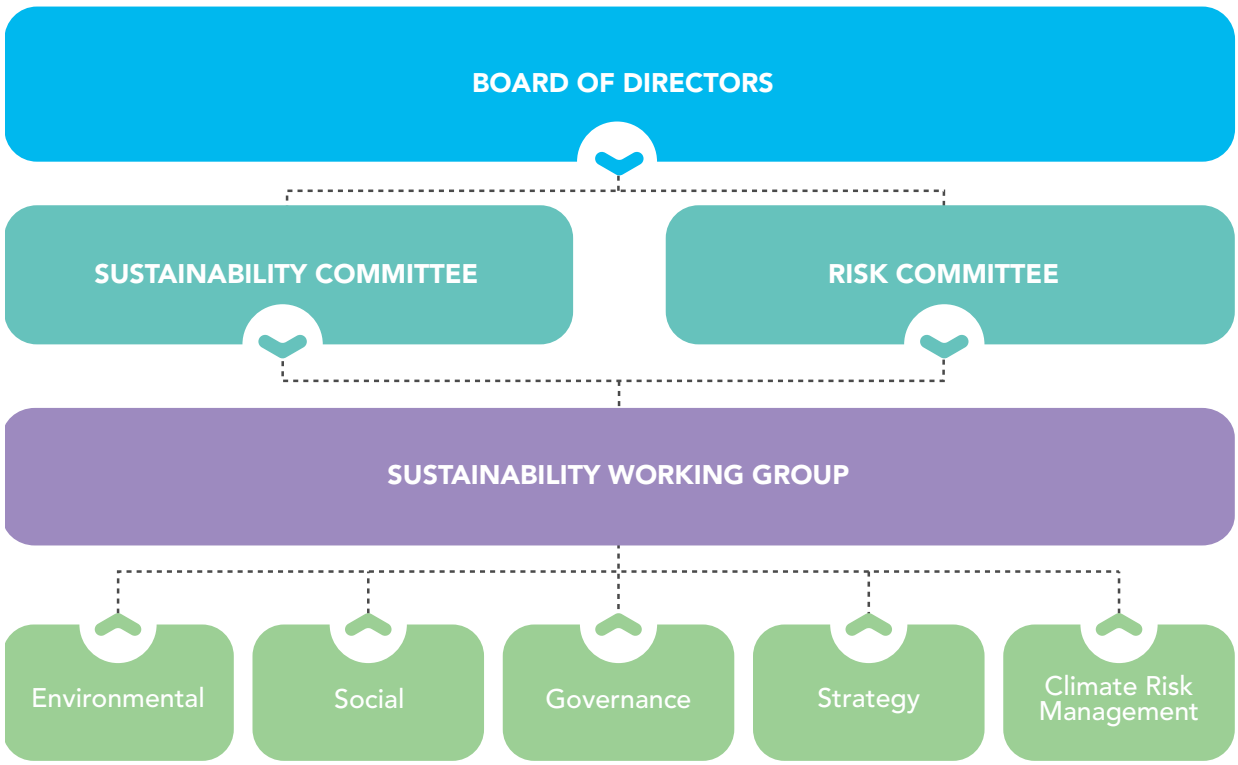
OUR APPROACH TO SUSTAINABILITY

The Bank incorporates sustainability into its operations through multi-pronged approaches, embarking on a transformative journey that involves the commitment of our Board and management. Anchored by a well-developed governance structure, we employ holistic strategies and pragmatic actions to address an array of sustainability-related matters. We also actively engage with our stakeholders and customers for a more comprehensive understanding of their expectations and for responding to their needs effectively.

Our vision to be a trusted bank that promotes sustainability through integrating our sustainable operations, culture and business together with our stakeholders and community.

SUSTAINABILITY GOVERNANCE

In driving the Bank to a greener future, a top down sustainability governance structure is in place to ensure our sustainability approaches are being effectively implemented and monitored.

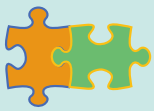


Board of Directors

The Board is responsible for overseeing the development and implementation of the Bank's key sustainability-related strategies, targets, and plans, to deliver sustainable value to shareholders and foster sustainable growth. During the Reporting Year, the Board adopted the following approaches to manage sustainability matters:



Manage and leverage assigned committees in carrying out sustainability-related responsibilities



Integrate principles and measures to address relevant sustainability issues into the Bank's businesses, strategy and financial planning, spanning in short-, medium- and long-term timeframes



Oversee the development and implementation of climate-related risk management and sustainability strategy



Review and approve the approach to public disclosure of sustainability-related information, including the Sustainability Report, by considering the global sustainability reporting standards and local regulatory requirements



Participate in various trainings, forums and seminars conducted by professional organisations, covering topics such as latest sustainability regulatory requirements as well as insights from industry practices and market trends, to facilitate its effective management and oversight of the Bank's sustainable development process



Review and approve the Bank's sustainability-related goals presented by the Sustainability Committee

Sustainability Committee

Consisting of an Independent Non-executive Director as the Chairman, a Non-executive Director, the Chief Executive and a Deputy Chief Executive, the Sustainability Committee met twice in 2023 to perform their duties. The Sustainability Committee is responsible for assisting the Board in overseeing the development and implementation of sustainability-related strategies, targets and plans, including in addressing climate-related issues, as well as advising the Board on ESG matters, and the Sustainability Committee exercised the following duties during the Reporting Year:



Review and make recommendations to the Board for approval of the revised Terms of Reference of the Sustainability Committee to align with the regulatory requirements and expectations in terms of climate risk management



Review and approve sustainability-related goals, priorities, policies and frameworks, as well as other related recommendations from the Sustainability Working Group



Make recommendations to the Board on appropriate standards, priorities and goals for the Bank



Review and make recommendations to the Board for approval of the sustainability-related disclosures and relevant public communications



Oversee the management of climate-related risks and opportunities as well as the development of the Bank's sustainability strategy

Risk Committee

The Risk Committee met four times in 2023 and is responsible for assisting the Board in ensuring adequate oversight of bank-wide risks and advising the Board on high-level risk related matters, risk management strategies and risk governance of the Bank. During the Reporting Year, the Risk Committee took the following actions for strengthening climate risk management:



Oversee and review various aspects of risk management in a holistic manner



Review regularly periodic reports and updates on the risk culture, risk management activities and major risk exposures of the Bank including climate-related risk



Review and make recommendations to the Board for approval of the best practices of risk management frameworks and strategies, covering the Bank's risk profile, limits, tolerance, and risk appetite



Review the revision of the Bank's Climate Risk Management Framework to ensure its effectiveness and oversee the subsequent implementation, including assessing climate risk appetite and the Bank's exposure to climate risk

Sustainability Working Group

The Sustainability Working Group at management level, chaired by the Chief Risk Officer, is established to support the Sustainability Committee and Risk Committee with a mission of promoting initiatives of the five pillars: "Environmental", "Social", "Governance", "Strategy" and "Climate Risk Management", which are driven by Pillar Owners assigned by the Chief Executive. The Sustainability Working Group performed the following sustainability related matters:



Develop the Bank's sustainability strategy and related policies



Identify climate-related risks and opportunities



Support sustainability reporting and other forms of stakeholder communication



Discuss and monitor the progress and performance of the Group's sustainability initiatives



Report to the Board committees regarding sustainability-related performance and progress

SUSTAINABILITY STRATEGY, POLICY AND TARGET

Our sustainability strategy, policy and target reflect the Bank's ongoing commitment to strive for a more sustainable future. Symbolised by the three interconnected realms "S", "C", and "B", and coinciding with the Bank's acronym, are the themes of our sustainability strategy, towards which we continue to invest considerable resources and efforts.



Sustainability Strategy



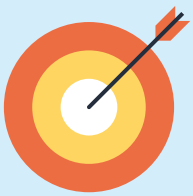
During the Reporting Year, we reviewed and revised the Bank's Sustainability Strategy Framework by consolidating the sustainability-related topics from 16 to 15 based on the 2023 materiality assessment. Furthermore, a reassessment on each material topic under the three themes of the Bank's sustainability strategy was carried out based on relevant metrics, local and international standards and best market practices. The three themes and corresponding material topics are explained in more detail in the sections "Sustainable Operations", "Culture", and "Business".

Sustainability Policy



The Sustainability Policy of the Bank articulates a robust sustainability governance process, suggesting the engagement of relevant committees in proactively identifying, assessing and managing sustainability-related matters. Clauses in the policy setting forth the expectation for all staff to observe and adhere to relevant rules and requirements when carrying out their daily duties aiming to facilitate positive customer feedback and market outcomes under prudent and proactive risk management. In 2023, the policy was reviewed and revised to update the roles and responsibilities of relevant governance parties, incorporate the climate risk appetite and monitoring mechanism into relevant framework, and to enhance the review and approval process.

Sustainability Target

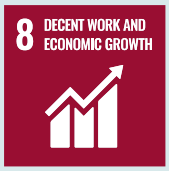


Fine-tuning the Bank's five strategic pillars, the sustainability-related goals established in 2022 have undergone a thorough review to ensure alignment with our updated sustainability strategy as mentioned above. The performance details of our environmental goals and KPIs in 2023 are further provided in the sections "Sustainable Operations" and "Our Performance".

To ensure the ongoing relevance and effectiveness of our sustainability strategy, policy and target, the Sustainability Committee and the Sustainability Working Group devote time and resources to review and make necessary updates to these vital sustainability-related considerations on an annual basis.

Aligned with our sustainability strategy, policy, and target, our actions and initiatives correspond to the principles and objectives of the United Nations Sustainable Development Goals ("UNSDGs"). The following examples demonstrate our commitment to advancing the UNSDGs:

UNSDGs		Actions
	End poverty in all its forms everywhere	• Participate in volunteer services and charitable events, and contribute monetary and in-kind donations to those economically disadvantaged elderlies and families in the local community • Support the growth of SMEs by providing a more comprehensive and convenient banking services benefitting the local economy • Enhance inclusive finance to enable financial access for individuals from physically and socio-economically disadvantaged groups
	Ensure healthy lives and promote well-being for all at all ages	• Launch a series of occupational health and safety awareness initiatives, and ensure a hazard-free workplace for our employees • Expand medical insurance coverage of maternity and check-up related items to better protect the health of our staff and their dependents • Organise well-being workshops and sports teams, and include "Well-being Leave" in our leave benefits • Sponsored Love U All Charitable Foundation's "Step With You" event and donated 600 brand-new athletic sneakers to families in need
	Achieve gender equality and empower all women and girls	• Embrace gender diversity within our workforce, with a 2.2% deviation from the Hong Kong labour force gender mix of 2022 • Articulate our requirement on workforce diversity and equal opportunities in our Policy on Equal Opportunities, which is effectively implemented and reviewed

UNSDGs		Actions
	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	• "Youth Development" as one of our key areas in community investment, initiatives include providing university scholarships, and promoting vocational and skills training • Participate in ESG-related syndication loans to support the expansion of green industries and facilitate the development of sustainable finance and green economy in Hong Kong • Expand ESG-related product shelf, such as ESG funds and green bonds
	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	• Accelerate digital transformation and utilise financial technology to provide customers with quality and transparent digital retail and corporate banking services • Organise fintech competition to foster the application and development of technology use in business operation
	Ensure sustainable consumption and production patterns	• Organise a range of training and educational activities to promote waste reduction and recycling, and raise awareness and encourage sustainable practice in our operations • Implement several water conservation measures, such as the installation of water-saving taps to reduce water consumption
	Take urgent action to combat climate change and its impacts	• Undertake comprehensive measures and develop actions to effectively reduce our GHG emissions and energy usage • Engage with CLP Power Hong Kong Limited to conduct energy audit for our office at Kowloon Commerce Centre • Conduct a thorough review and subsequent updates on our Climate Risk Management Framework • Adopt the Climate and Environmental Risk Questionnaire for Non-listed companies published by the Green and Sustainable Finance Cross-Agency Steering Group to understand SMEs customers' strategy and current status in climate risk management

STAKEHOLDER ENGAGEMENT & MATERIALITY ASSESSMENT

The Bank proactively engages with stakeholders to understand their concerns and expectations, to keep abreast of industry trends, and to identify appropriate measures for managing sustainability matters. Through conversation with key stakeholder groups, such as the communities we serve, employees, shareholders, customers, business partners, regulators, and relevant industry organisations throughout the Reporting Year, we have strengthened our understanding of risk, seized opportunities, and enhanced business resilience to effectively navigate the evolving landscape of the banking industry.

Communication Channels with Stakeholders



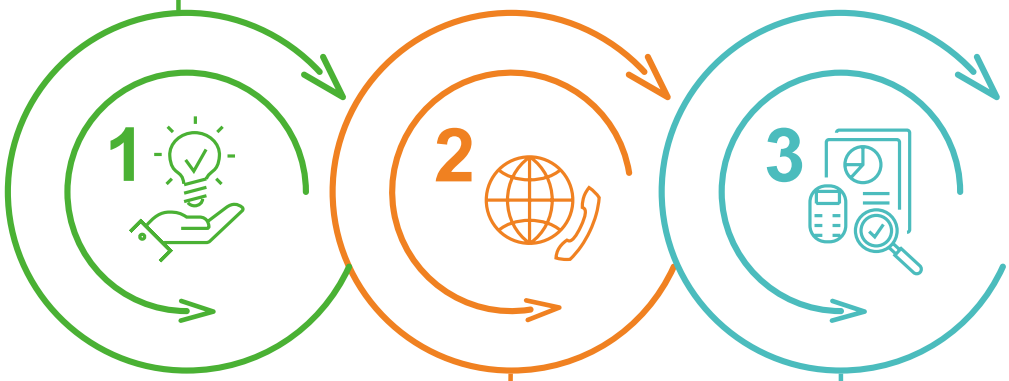
Materiality assessment identifies material sustainability-related topics that could further facilitate the annual review of sustainability targets of the Bank in preparation for ESG disclosure. In view of the limited changes in the external market macro trends and the Bank's business and operations, along with the yearly review and benchmarking exercise of material topics within the banking industry, the material topics identified in 2022 remained applicable to the Bank in 2023.

In order to balance considerations with the Bank's overall business strategy, our 2023 stakeholder engagement exercise took both financial and impact materiality into consideration, to evaluate relevant risk and impact on the Bank's operations. Replies from our key internal stakeholders were subsequently reviewed, summarised and archived as an internal reference for the Bank to identify its areas of improvement.

Procedures of our 2023 sustainability stakeholder engagement and materiality assessment are described below:

STEP 1: UNDERSTAND THE CONTEXT AND IDENTIFY MATERIAL TOPICS

- Review materiality assessment results for 2022
- Conduct industry benchmarking through analysing peer practices
- Refer to latest sustainability standards and recommendations from international financial regulators



STEP 2: REPRIORITISE AND REGROUP MATERIAL TOPICS

- Consolidate the material topics for 2023 based on peer benchmarking, standards and recommendations from international organisations and regulators related to sustainability
- Identify and engage key internal stakeholder groups to evaluate and provide feedback through an online survey

STEP 3: VALIDATE, REVIEW AND APPROVE THE RESULTS

- Sustainability Working Group reviews the materiality assessment results
- Sustainability Committee and the Board review and approve the materiality assessment results

Going forward, the Bank will continue to uphold a strategy to integrate, communicate, and monitor our stakeholder engagement and materiality assessment process. This entails actively managing our material topics, aligning metrics with regulatory requirements and our business operations, and effectively communicating our management approach and performance to internal and external stakeholders.

While considering the varying levels of financial impact of different topics to the Bank and the broader impact to external stakeholders, we prioritise highly ranked topics. Nevertheless, we are committed to ensuring all topics are adequately addressed.

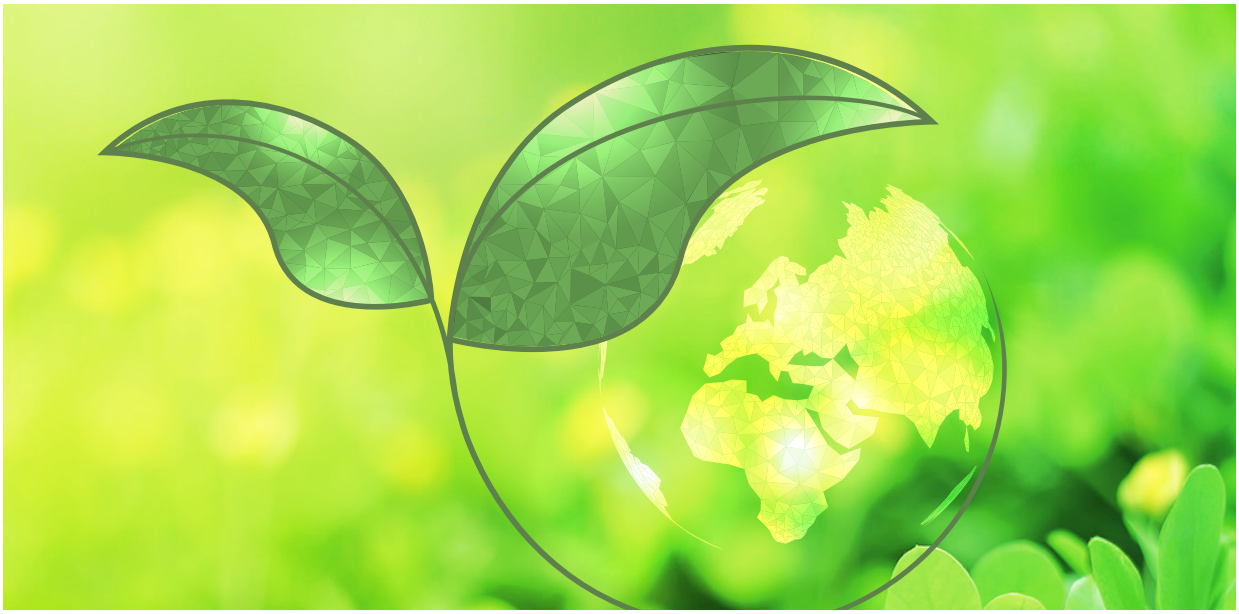
According to the materiality matrix, the Bank believes that highly ranked topics are Compliance and Reporting, Data Privacy and Cybersecurity, Health, Safety and Well-being, Business Ethics, and Corporate Governance and Risk Management.



Environment	**Governance**
1. GHG Emissions	9. Business Ethics
2. Sustainable Resource Usage	10. Corporate Governance and Risk Management
Social	11. Compliance and Reporting
3. Responsible Procurement	12. Data Privacy and Cybersecurity
4. Customer Relationship Management	**Strategy**
5. Talent Management and Development	13. Green and Sustainable Banking
6. Diversity and Equal Opportunities	14. Inclusive Finance
7. Health, Safety and Well-being	**Climate Risk Management**
8. Community Investment	15. Climate Change Response

SUSTAINABLE OPERATIONS

The Bank firmly believes in the positive impact that integrating sustainable practices brings to our operations. Our unwavering dedication to environmental sustainability is demonstrated through tangible actions, from reducing our carbon footprint through effective environmental footprint management to promoting responsible procurement.



ENVIRONMENTAL AND CARBON MANAGEMENT

Negative impacts of environmental damage and climate change are being amplified across the ecosystem, the business and commercial market, and society as a whole. Given the urgent need to mitigate environmental impacts and tackle climate change, fostering a common goal for collaboration among different regions is vital for contributing to a more sustainable future. Notably, Mainland China and Hong Kong have announced plans to achieve net zero emissions by 2060 and 2050 respectively, triggering corporates across sectors to develop decarbonisation goals and roadmaps in supporting these local, regional, and national commitments.

As a Bank with an international network of over 50 branches, we are responsible for ensuring our daily operations are environmentally sustainable and our environmental footprint is effectively managed. Meanwhile, we actively identify, assess and address key environmental topics that are material to the Bank in our daily operations, including GHG emissions, energy consumption, materials use, waste management, and water consumption.

OUR APPROACH

Our Sustainability Policy reflects our dedication to sustainable development, including a series of optimisation initiatives pertaining to fundamental infrastructure, raising staff awareness and complying with relevant environmental laws and regulations, such as the Waste Disposal Ordinance, in Hong Kong and other areas where we operate. For more information, please refer to three environmental aspects described below.

Our Head Office building, Shanghai Commercial Bank Tower, has acquired the BEAM Plus Provisional Gold Certificate issued by the Hong Kong Green Building Council. The implementation of energy-saving features, efficient building management system and sustainable measures throughout the construction of this Grade A commercial tower reflect the Bank's dedication to sustainability.



As a member of the Business Environment Council in Hong Kong, we share and continue to learn about responsible business practices that balance economic, social, and environmental interests across all sectors. In day-to-day operations, we continue to engage employees through various initiatives and awareness-raising programmes to change consumption behaviour and reduce our environmental footprint.

BUSINESS ENVIRONMENT COUNCIL 商界環保協會
GENERAL MEMBER since 2014

GHG Emissions and Energy Usage

As part of our ongoing efforts to minimise our environmental impact, we conduct regular reviews of our GHG emissions and energy usage and have identified the major sources of GHG emissions from our operations (Scope 1 and Scope 2) being electricity consumption and bank vehicle emissions.

We have undertaken comprehensive measures to effectively reduce our GHG emissions and energy usage to facilitate the decarbonisation in our operations, as well as empowering employee contribution to energy-saving. Our decarbonisation approach focuses on enhancing energy efficiency, including but not limited to the following actions:

- Prioritise the use of energy-efficient and energy-saving equipment and appliances, including air conditioning units and LED lighting
- Inspect and upgrade insulation to prevent energy loss and leakage of cooled air when air conditioning units are operating
- Plan to phase out the conventional vehicle fleet and replace with electric vehicles in the long term
- Engage with CLP Power Hong Kong Limited and The Hongkong Electric Company, Limited to explore potential energy-saving and efficiency enhancement opportunities
- Launch SCB Green Excellence Award internally to encourage energy-saving

Paper Use

The Bank consistently promotes paperless operations and is committed to responsibly procuring Forest Stewardship Council certified paper. We are taking various measures to further reduce the amount of paper usage, which includes facilitating online communication to phase out office paper printing. A "Let's Go Paperless" campaign has been introduced to reduce paper consumption through digitising business processes. As part of this campaign, we actively encourage customers to shift from paper statements to e-statements, and automatically opt in to Mandatory Provident Fund e-statement services for employees. Office printers have been defaulted to duplex printing, and employees have been urged to reduce unnecessary printouts through internal circulars. To achieve our target on paper consumption reduction, we employ an internal monitoring system to oversee the procurement and usage of office paper.

Waste Management and Water Usage

As part of our commitment to optimising material usage and waste management, the Bank has implemented a comprehensive waste disposal strategy, including both minimising waste generation and maximising material recovery, that focuses on resource circularity so as to gradually reduce both non-hazardous and hazardous wastes on an annual basis.

hazardous waste	While hazardous waste generation is rarely anticipated in our operations due to the Bank's business nature, we prioritise the responsible discharge of any such waste.
non-hazardous waste (primarily consists of domestic waste and paper waste)	In terms of non-hazardous waste, we have implemented measures to reduce domestic waste at its source, encouraging responsible consumption and minimising unnecessary waste generation.
paper recycling	Additionally, we prioritise used paper recycling and maximise its recovery to lower its negative environmental impact due to landfill treatment.

We provide relevant training and guidelines on effective waste management to raise staff awareness, and actively donate second-hand computers to charities such as Caritas Computer Workshop.

Our operation sites consume water that is directly sourced from the utilities providers, which is subsequently discharged in an appropriate manner; hence, we have not encountered issues regarding water supply or effluent. Several water conservation measures, such as the installation of water-saving taps have been implemented. In 2023, our progress against the water usage target was on track.

2023 Performance

Environmental Award

As recognition of our continuous efforts on environmental conservation through reducing waste in the workplace, we have been awarded the Wastewi$e Certificate issued by the HKGOC since 2015.



Educational Initiatives

In 2023, we also undertook a range of training and educational initiatives, disseminating knowledge through various channels such as computer screensavers, e-learning modules and digital mini-games, with an aim to promote waste reduction and recycling, and further raise awareness and encourage sustainable practice in our operations.

LED Lighting Replacement



LED Exit Sign installed for the replacement of traditional emergency sign

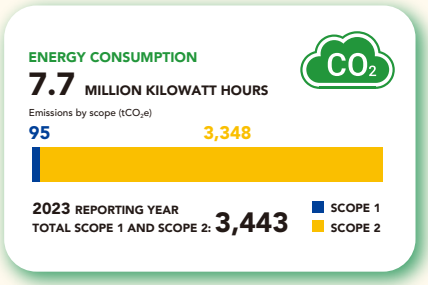
The Bank has been implementing the LED installation project at different branches and offices since 2022 to save electricity and increase energy efficiency.

In particular, we have replaced existing emergency signs with LED lighting in several branches and offices, and eventually covering all branches and buildings in Hong Kong, with estimated annual electricity savings of approximately 18,000 kilowatt hours ("kWh") after completion. As of 2023, we have completed 49.5% of LED Exit Sign installations in our Hong Kong premises with targeted completion by 2024.

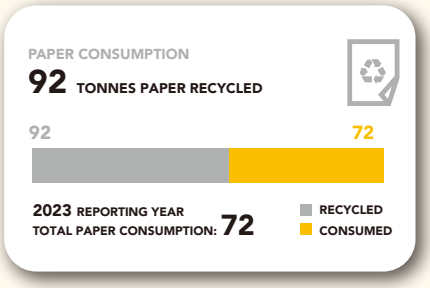
Environmental Targets and Performance

We first established our environmental targets in 2022 to reduce the Bank's GHG emissions and energy usage by 2025. We are pleased to report that our progress was on track in 2023, indicating our continued commitment to environmental sustainability.

2023 Consumption Chart



Our energy consumption amounted to 7.7 million kilowatt hours. The total emissions (Scope 1 and Scope 2) amounted to 3,443 tonnes of CO_2 equivalent ("tCO_2e"), of which Scope 1 emissions accounted for 95 tCO_2e and Scope 2 emissions accounted for 3,348 tCO_2e.



We consumed 72 tonnes and recycled 92 tonnes of paper. When compared to 2022, we consumed 28.7% paper less, achieving a record low.



We consumed 5,738 cubic meters of water. When compared to 2022, we achieved a 2.8% reduction through various initiatives to enhance employee's awareness in water-saving.

SCB Green Excellence Award and SCB Collaboration Award

In 2023, the Bank launched the bank-wide SCB Green Excellence Award and SCB Collaboration Award, aimed at promoting resources conservation and sustainability across all premises, including operations in and outside Hong Kong. Through these initiatives, the Bank seeks to foster a culture of environmental responsibility and encouraging innovative approaches to minimise our operational carbon footprint.

Green Ambassador

In 2023, we have assigned Green Ambassadors in all branches and departments to establish a sustainability culture across the Bank. Green Ambassadors support the implementation of sustainability initiatives, collect feedback and raise sustainability awareness within the workplace. Quarterly meetings are held to ensure effective delivery of the Bank's latest sustainability-related strategies and initiatives.

RESPONSIBLE PROCUREMENT

In response to the regulatory change and growing attention on environmental and social concerns throughout the supply chain, the Bank maintains a close relationship with various types of suppliers collaborating with the Bank, including consultants, services providers, vendors, and contractors, and encourages our business partners to share our vision of sustainable development.

OUR APPROACH

Our Supplier Code of Conduct ("SCoC") enables us to integrate sustainability considerations into our procurement processes and supply chain management, thereby equipping our staff with the necessary skills for responsible procurement and encouraging our suppliers to operate in a sustainable and responsible manner. It applies to all individuals and organisations that provide products and services to the Bank, setting expectations for the development of policies and measures aligned with ethical business principles.

In terms of supplier engagement, we have standard procedures to assess suppliers' performance in accordance with the SCoC. Prior to contract signing, we evaluate if their operations align with the Bank's expectations on material ESG aspects, including business ethics, data protection, human rights, health and safety, community impact, diversity and inclusion, and environmental performance. Hence, qualified suppliers are added to the Bank's supplier list and are required to undergo annual assessments. Meanwhile, we have built a two-way communication channel with suppliers to facilitate regular communication, ensuring they understand the Bank's expectations and latest requirements. In 2023, the Bank engaged all suppliers, demonstrating our commitment to maintaining productive relationships and promoting sustainable practices across our supply chain.

During our sourcing process, we first consider suppliers with lower environmental footprint and Green and International Organisation for Standardisation certification. In addition to our focus on the environmental aspect, we place equal importance on the social and governance performance of our suppliers, with whom we have implemented a specific requirement for them to declare compliance with the U.K. Modern Slavery Act 2015 ("MSA") before entering into an official partnership.

Compliance with the U.K. Modern Slavery Act 2015

A Slavery and Human Trafficking Statement is published annually with an internal guideline demonstrating that the Bank sustains zero tolerance to slavery, servitude and/or forced or compulsory labour, and human trafficking, and that we require our service providers to conduct business ethically with integrity. Our enhanced measures in 2023 reflect our dedication to promote responsible business practices across our supply chain, enabling us to work together with our suppliers towards a shared vision of operating morally and ethically.

Under our guideline, the Bank conducts due diligence and reserves the authority to retain or terminate the contract in circumstances where our supplier engages in practices involving slavery and human trafficking within its supply chains or operations. We pay close attention to high-risk third-party suppliers and conduct further review and risk assessment in alignment with the MSA. The majority of our suppliers, which are primarily I.T. and consultancy services providers, are not located in jurisdictions identified as high risk according to the Global Slavery Index. Throughout the Reporting Year, we proactively assessed our engagements and operations, and no high-risk service providers were identified.

Taking a further step to reinforce understanding and compliance, we actively engage suppliers to ensure they operate in a sustainable and responsible manner, and have incorporated clauses related to MSA in contracts since 2022. This ensures that suppliers are fully aware of the Bank's commitment to combatting slavery and human trafficking and that they are equally committed to enforcing the MSA.

Policies related to supply chain, including the SCoC and the Slavery and Human Trafficking Statement are reviewed annually by referencing pertinent standards, laws and regulations, to ensure their relevance and effectiveness. We also actively collaborate with our suppliers to establish a responsible supply chain by allocating resources to enhance their sustainability performance. In cases where non-compliance is identified among our suppliers, we offer assistance for improvement or we may review contract terms at the Bank's discretion.



2023 Performance

During the Reporting Year, we have reviewed the SCoC and the internal guideline for MSA to ensure that those policies are aligned with the Bank's operational environment whilst keeping abreast of the latest ESG trend. We have also published our 2023 Slavery and Human Trafficking Statement, which is available on our website.

Driven by our Seven Core Values, we are committed to cultivating a strong corporate culture throughout our business operations, to ensure the highest standard of ethics when conducting business and investment activities, create a harmonious and safe working environment that nurtures the growth and well-being of our employees, and contribute to the communities in which we operate.

The Bank's Seven Core Values

Proactive | Integrity | Respect | Professionalism | Teamwork | Accountability | Leadership

ROBUST GOVERNANCE

The Bank is committed to maintaining a solid corporate governance framework to safeguard the interests of our shareholders, customers, employees, and other relevant stakeholders. We have established a robust governance structure, implemented a comprehensive risk management framework, and maintained a strong focus on addressing financial crime matters. All staff members are held to the highest ethical standards, and are encouraged to demonstrate the Bank's Seven Core Values with discipline and righteous behaviour. In addition to strictly complying with laws and regulations set forth by regulatory authorities in the jurisdictions where we operate, the Bank regularly reviews the corporate governance standards and procedures and strives to align with international and local best practices.

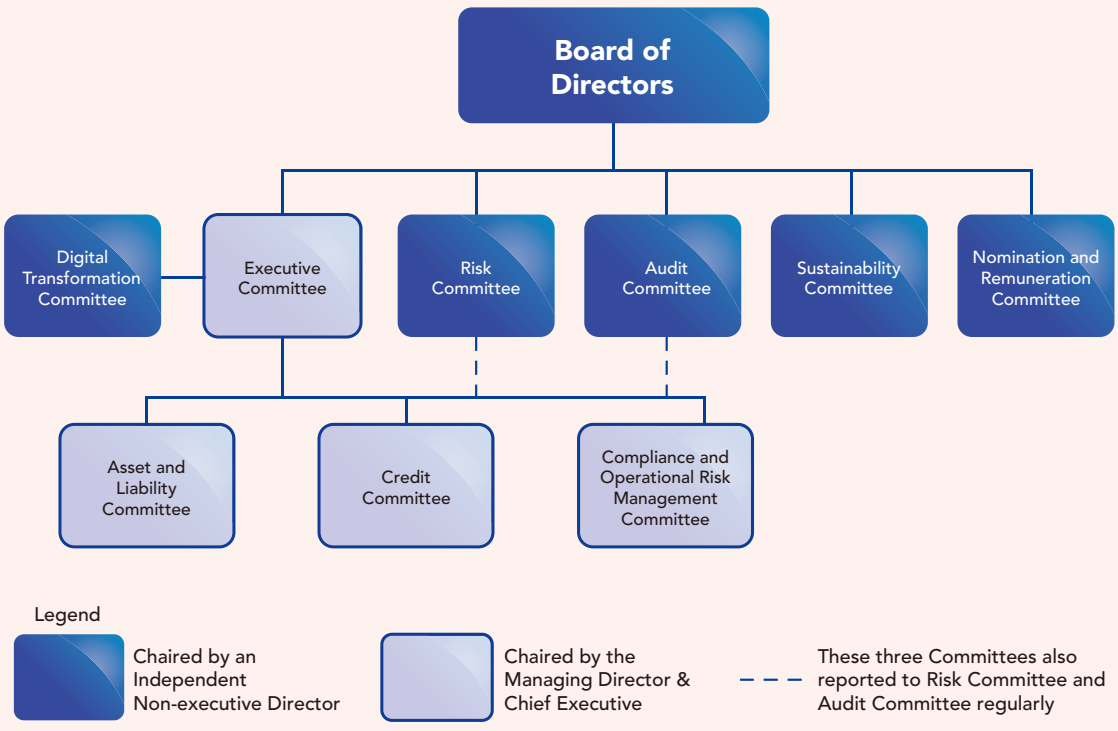


OUR APPROACH

Governance Structure

The Bank attaches great importance to maintaining and upholding high standards of corporate governance. The Board bears the collective responsibility for the Bank's long-term success and is dedicated to providing strategic direction and overseeing the implementation of strategic objectives and goals by the management, as well as supervising its affairs within a framework of prudent and effective controls that enables risks to be properly assessed and managed. The Board also adopts the Corporate Governance Policy to ensure transparent and consistent implementation of these principles and standards for the Bank's long-term benefits.

The Board has established various committees with clear delegation and terms of references, including Executive Committee (and its sub-committee, Digital Transformation Committee), Audit Committee, Nomination and Remuneration Committee, Risk Committee, and Sustainability Committee for the oversight of their respective major functional areas. Three senior management-level committees, namely, Asset and Liability Committee, Credit Committee, and Compliance and Operational Risk Management Committee, are established by the Board to manage different areas of the Bank's operations and risks.



Each of these committees operates under specific written terms of reference that outlines its authorities, duties, and composition. For further information regarding corporate governance structures and practices, please refer to the Corporate Governance Report contained in the 2023 Annual Report.

Risk Management

Risk management plays a critical role in the success of a financial institution and is integral to all aspects of business activities. The Bank seeks to instil a strong risk culture in its operations, where each employee plays a vital role in conducting business ethically and in compliance with relevant rules and regulations. The Bank formulates a comprehensive risk management strategy that aligns risk, capital and performance goals, whilst taking into account the regulatory requirements, market circumstances, industry best practices, and the Bank's unique strengths and preferences.

The Bank proactively identifies, assesses, manages, and monitors numerous risk components through day-to-day risk management processes for major risks in the financial services sector, including traditional risks inherent to the banking sector and emerging risk types such as climate risk. Furthermore, the Risk Appetite Statement approved by the Board outlines the management approach as well as the Bank's tolerance level for risks, for establishing clear guidelines and boundaries regarding the aforementioned risks.



The Board holds ultimate responsibility for the effective management of risks, approving and overseeing the Bank's overall risk management framework. The Risk Committee is responsible for assisting the Board in ensuring adequate oversight of bank-wide risks, and advising the Board on high-level risk related matters, risk management strategies, and risk governance of the Bank.

The Bank's management framework is designed to cover all business process and ensure various risks are properly managed and controlled in the course of conducting business. We have adopted the "Three Lines of Defence" risk management model, which clearly defines the roles and responsibilities among the risk owners.

Three Lines of Defence Risk Management Model

First Line of Defence	Frontlines and Business Units	Responsible for proper identification, assessment, management and reporting of risk exposures on an ongoing basis
Second Line of Defence	Credit Division, Legal and Compliance Division, and Risk Management Division	Responsible for overseeing the Bank's risk-taking activities, undertaking risk assessments and reporting independently
Third Line of Defence	Internal Audit Department	Responsible for assurance on the effectiveness of the Bank's risk management framework

Business Ethics

The Bank has pledged to conduct business with the highest ethical standards and in strict adherence to all applicable laws, rules, and regulations. We equip our employees with knowledge and tools to identify illegal and unethical behaviours and encourage them to take necessary actions to mitigate such risks.

Code of Conduct

The Bank has established the Code of Conduct (the "Code"), which sets the standards and values for promoting ethical, responsible, and professional behaviour among all staff members. The Code emphasises the prohibition of any form of corruption set out in the Banking Ordinance and Prevention of Bribery Ordinance in Hong Kong, and requires all employees to follow key aspects related to staff ethics, including avoidance of conflicts of interest, proper business conduct, prohibition of anti-competitive conduct, proper use of information, and regarding staff personal investment.

Whistleblowing Policy

The Whistleblowing Policy lists out confidential whistleblowing channels and investigation procedures in detail, so that our employees can raise their genuine concerns or report on malpractice, impropriety, misconduct or unethical activity in confidence and good faith, honestly and with reasonable belief, enabling the Bank to avoid or mitigate potential risks. In the event of any unethical and illegal behaviour being identified at any level within the Bank, the Bank's Internal Audit Department is empowered to escalate such concerns to the Chief Risk Officer, Chief Executive, and Audit Committee where appropriate.

Customer Acceptance and Anti-Money Laundering ("AML") and Counter-Terrorist Financing ("CFT") Policy



To safeguard the Bank from being misused for money laundering, terrorist financing, and sanction evasion activities, we have established the AML and CFT Policy that sets the principles and standards in respect of AML/CFT and outlines the Bank's AML/CFT risk management control framework, encompassing key control areas such as customer due diligence, enterprise-wide assessment, sanctions screening, ongoing monitoring, and suspicious activity reporting.

To ensure adherence to business ethics and prevent financial crime, we implement a series of measures to uphold the highest standards of integrity and compliance.

All new employees are required to review thoroughly and sign an acknowledgment indicating their understanding of the Bank's Code, Whistleblowing Policy, and Staff Handbook upon onboarding. On top of biannual circulars with key compliance and ethical updates from the Code that are distributed to existing employees, annual refresher trainings on relevant topics are also arranged to reinforce their understanding on our policies and reporting practices.



Regular anti-corruption training programmes are arranged for all Directors and Senior Management as a part of their continued professional development programmes, while each newly appointed Director receives an information package on the scope of duties and obligations to be observed by a Director.

Employee compliance behaviour is tied to the employee performance evaluation, implying that any violation of internal and regulatory requirements shall overweigh financial achievements of the concerned employee, and remuneration may vary based on the severity of the impact of the incident on the Bank.

To ensure our compliance with the Supervisory Policy Manual Module CG-3 "Code of Conduct" issued by HKMA, we review our Code every year and conduct regular audits as well as regularly review our monitoring mechanisms related to business ethics in different departments.

Compliance and Reporting

In response to growing market demand for transparent disclosures, enhanced reporting standards have been introduced on group basis to ensure orderly business operations, a fair business environment, and useful information for stakeholders. The Bank has established robust organisational structure, comprehensive policies, and orderly procedures to ensure our compliance with applicable laws, rules, and regulations.

Board	Overseeing the development and implementation of risk management and internal control systems, including financial, operational and compliance controls, and the review of their respective effectiveness
Risk Committee	Assisting the Board in ensuring adequate oversight of bank-wide risks, and advising the Board on high-level risk related matters, risk management strategies and risk governance of the Bank
Senior management-level Compliance and Operational Risk Management Committee	Handling major aspects of the Bank's risks and defining the proper risk strategies within the Bank's overall business



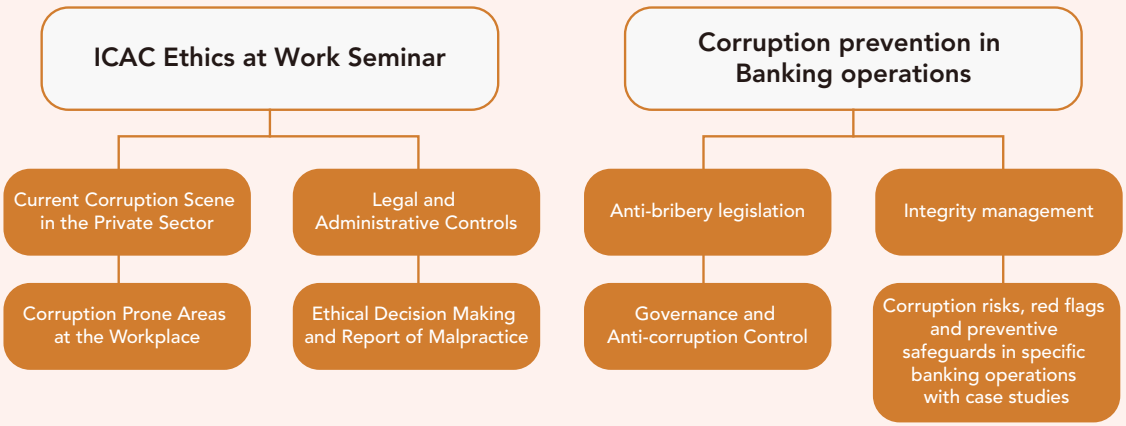
2023 PERFORMANCE

In 2023, there were no concluded legal cases regarding corrupt practices brought against the Bank or our employees.

We have consistently provided multiple trainings to all staff, covering relevant legal, regulatory and internal control requirements, aimed at maintaining a strong understanding of our policies and reporting practice and fostering a culture of ethical behaviour and integrity which is critical to the success of the Bank. In 2023, 19 corporate governance-related trainings were provided to staff.

Anti-corruption Training

With the objective of heightening awareness on vulnerability at work, understanding the legal requirements in preventing corruption, and equipping employees with the skills to handle ethical dilemmas, the Bank organised two anti-corruption trainings for all 2023 graduate trainees and staff, which were designed to provide comprehensive knowledge and practical guidance on preventing corruption and promoting ethical conduct in the workplace.



PRIVACY AND CYBERSECURITY

Amidst the rapid advancement in digital transformation, the prevalence of data breaches and cyber-attacks is on the rise. Possessing large amounts of personal data belonging to our stakeholders such as customers and employees, the Bank identifies technology risk as a key risk. We act prudently to secure our databases and mitigate potential technology risk to safeguard the interests of the Bank and our stakeholders.

OUR APPROACH

Privacy Information Protection

With the objective of safeguarding the interests of our customers, employees, business partners and other stakeholders, our daily operations strictly adhere to relevant laws and regulations of the jurisdictions in which we operate, such as the Personal Data (Privacy) Ordinance of Hong Kong. To ensure compliance, we have established comprehensive security policies and standardised procedures that require all units within the Bank to adhere to the highest cybersecurity standards, and to maintain timely and transparent communication with our stakeholders regarding any data collection, retention, or transfer activities. We also remain vigilant in monitoring regulatory updates and promptly revise our policies and procedures to meet the latest regulatory requirements.

We are committed to achieving zero reportable breaches of customer data and employment-related personal data. Only authorised personnel who have been regularly trained with sufficient knowledge have limited access to personal data. In addition, the security of digital infrastructure has been continuously improved through securing data storage facilities, incorporation of security measures in data storage devices, and utilisation of encryption techniques when transmitting sensitive data. Each department or branch with access to personal data has appointed a Personal Data Protection Action Officer to closely monitor progress and ensure procedures and controls are properly implemented.

Information Security

All levels of employees within the Bank are required to comply with standards and requirements related to security and confidentiality, such as the Supervisory Policy Manual and Guidelines of the HKMA. Our cybersecurity programme, which includes devising comprehensive systems and procedures against cyberattacks or hacking, and conducting regular training sessions and drills in cybersecurity awareness and data privacy when handling sensitive information, further reinforces a secure operational environment.

2023 PERFORMANCE

In 2023, the Bank continued to maintain and enhance staff awareness on information security. We participated in the Ethical Phishing Email Campaign organised by the Hong Kong Police Force in May 2023, which we demonstrated a satisfactory performance among participating institutions. The Bank also conducted social engineering drills periodically to reinforce staff awareness particularly in suspicious external email recognition and avoidance, in order to minimise the risk of information leakage from our employees to scammers. Throughout the year, we have continued to uphold our established framework and stringent controls for protecting personal data privacy of our customers and employees.

CUSTOMER RELATIONSHIP

Upholding the Bank's customer service philosophy of "For Personalized Service" (「處處為您着想」), we strive to pursue a customer-centric business and forge a trustworthy relationship with our stakeholders. Our customer service philosophy is embodied through our high-quality products and services, prudential selling practices, and well-established complaint handling procedures.

OUR APPROACH

Customer Relationship Management

We uphold the principles of fairness and integrity and strictly adhere to the Code of Banking Practice in delivering quality service to our customers for catering to their financial and investment needs. Meanwhile, we arrange regular workshops conducted by business department/team heads, focusing on the importance of customer relationship management and equipping our front-line staff with relevant techniques.

Product and Service Improvement

We have continually expanded our range of products and services to enhance our customers' experience and maintain our commitment to innovation to meet changing needs. Our business team strictly adheres to the Code of Banking Practice and other applicable regulations when launching new products. To ensure compliance and protect the interests of the Bank and its customers, each new product or service is subject to a comprehensive review and endorsement process by the Product/Service Governance Committee, to carefully assess the risks inherent in the offering and to ensure compliance with regulatory standards.

Selling Practices

We have an Investment Product Selling Procedure to guide our practices when providing investment advice to customers. Induction training are conducted for new joiners, while concerned staff are required to attend regular training on selling practices. In the selling process, our employees are trained to behave in a sincere and professional manner and explain necessary product information, including but not limited to product features and related risks.

Complaint Handling Procedures

We endeavor to reduce the number of substantiated complaints, providing a satisfying customer experience, and delivering prompt and professional resolution of all customer complaints, as outlined in our Complaint Handling Procedures. After receiving customer complaints or feedback through different channels, we initiate internal verification and investigate diligently, followed by detailed examination reports and appropriate follow-up actions to ensure proper handling.

2023 PERFORMANCE

As one of the pilot banks participating in the Cross-boundary Wealth Management Connect Scheme, we offer over 100 funds and bonds and a wide range of cross-border financial services, including RMB, HKD, foreign currency deposits and exchange to customers in the Greater Bay Area.

In the Reporting Year, no fair banking and sales practices violations were observed. A total of 62 complaints related to breaches of customer privacy and losses of customer data service standards, refund or compensation requests, and banking policies or practices were received and 4 complaints were substantiated after investigation, which were swiftly acknowledged and addressed. In addition, the Bank took corrective measures promptly to prevent recurrence of similar incidents in the future.

TALENT MANAGEMENT AND DEVELOPMENT

The Bank recognises the significance of attracting, engaging, developing, deploying, and retaining a diverse pool of talented staff, as it is instrumental in delivering high-quality products and personalised customer services. We regard human capital as integral to the Bank's long-term business growth and success, and this drives our talent recruitment focus. We are committed to providing learning and development opportunities and creating a harmonious and safe working environment and platform where our employees can maximise their potential.

OUR APPROACH

Talent Attraction and Retention

To maintain our competitiveness, the Bank offers competitive remuneration packages with industry standard benefits, and family-friendly policies to attract and retain the best talents.

We have implemented policies and procedures in our recruitment process to prevent child and forced labour and ensure compliance with internal policies and applicable laws and regulations. Throughout the Reporting Year, there were no non-compliance cases. In the event of any suspicion of child or forced labour, we would take immediate and necessary actions to avoid violation of internal policy and external laws and regulations.



Training and Development

The cultivation of future leaders to secure a continuous leadership pipeline for smooth transitioning of key roles is crucial for the Bank's sustainability and to maintain our market competitiveness. The Bank is committed to fostering talent development and empowering employees to reach their full potential through reskilling and upskilling with relevant professional knowledge, providing training on the latest developments in sustainability and digital developments to ensure they stay abreast of emerging trends in the industry.

The Professional Qualification Subsidy Scheme is established to support employees in obtaining the knowledge and skills necessary to perform their duties at work by offering educational and professional qualification sponsorship.

On top of Professional Qualification Subsidy Schemes and scholarships for employees which aim at encouraging them to develop their professional skills and knowledge, we have further developed and implemented structured development programmes to equip our employees with the exposures and skillsets required for success in the financial services sector.



- The High Potential Talent Development Programme is designed to identify and groom outstanding and capable employees who demonstrate potential and dedication to become leaders at a higher level. Through this programme, participants will be equipped with the problem-solving skills to tackle challenges when placed in a leadership position. The 18-month programme covers a variety of development components, including job rotation, on-job-training, mentorship and experience sharing with senior management, as well as exclusive professional development activities.

- Our Graduate Trainee Programme and Banking Talent Programme are tailored for fresh university graduates, to equip young talents with fundamental management skills in their respective fields and build a clear career path where they can flourish through function-specific training, job exposure as well as rotation.

To align our employees' actions with the Bank's commitment to sustainability, we prioritise regular communication and engagement activities that foster awareness and understanding of our sustainability goals apart from the requirements to include sustainability goals in employees' KPI setting. Training sessions covering the latest sustainability trends and knowledge in the banking sector are arranged to enable employees in implementing various sustainability related initiatives of the Bank.

Offering suitable career development programmes not only contributes to the establishment of a sustainable talent pool but also enhances employee engagement and loyalty. To continuously enhance our career development programmes, the Bank analyses training hour data and conducts regular performance reviews to understand employees' expectations, career aspirations, and professional development needs.

Diversity and Equal Opportunities

Prioritising workplace diversity and inclusivity is important for embracing our core value, "Teamwork – Work collaboratively across teams with mutual support to achieve common goal". We are committed to promoting equality, eliminating discrimination and raising awareness of different ethnic and social groups. Gender diversity in the workforce is of particular importance, and we strive to achieve gender balance at the executive and senior management level.

Our commitment to employee diversity and equal opportunity is firmly reflected in our Policy on Equal Opportunities, which is reviewed annually to ensure compliance with the latest regulatory requirements.

Human Rights

We believe in the inherent dignity and equality of all individuals, and this encapsulates the fundamental tenets of human rights protection and modern slavery eradication. As part of our talent management philosophy and as stipulated in our internal guideline for MSA, all staff are required to undergo training anchored around policies that tie to human rights and modern slavery, such as corporate culture on ethics and equal opportunities, whistleblowing and escalation protocol, and the Bank's Code. Assessments and training records are retained for evaluation of training effectiveness.

In 2023, the Bank demonstrated its commitment to human rights by ensuring compliance with the MSA, thereby creating a workplace free of non-compliance cases related to modern slavery, child labour, and forced labour.

Occupational Health and Safety ("OHS")

In our commitment to promoting a healthy and safe working environment and providing extensive support to our employees, we proactively identify various types of health and safety risks that are material in our daily operations and we actively manage and mitigate these risks through the following programmes.

Physical and mental/ emotional health



While the risk of physical injury is relatively low in the banking industry, we have programmes in place to support the physical and mental/emotional needs of our employees. For example, the Employee Assistance Programme safeguards the mental health of our employees by providing our employees and their family members with counselling and stress management services. This year, we have enhanced out-patient benefits as well as maternity related items for staff and their family dependents.

Workplace hygiene



Preventive measures including regular disinfection and cleaning protocols are implemented to maintain workplace hygiene and a safe working environment.

OHS Inspection



In accordance with the Guideline on Occupational Safety and Health to maintain health and safety in offices, each employee is required to comply with relevant regulations in jurisdictions where we operate, such as the Occupational Safety and Health Ordinance of Hong Kong. To ensure proper implementation of health and safety programmes, we have effective mechanisms for staff reporting of potential workplace hazards to the respective Occupational Safety Officer, active monitoring of such hazards, adoption of safety precautions accordingly, and conducting annual review on the appointment of the Occupational Safety Officers in all departments and branches.

Business Continuity Plan



To ensure smooth operations in the face of emergencies, crises, or serious incidents, Business Continuity Plan is in place with branches undertaking various measures to minimise any unexpected impacts on customers and employees. Aside from the Business Continuity Plan, the Bank has established a Crisis Management Team, comprising members from management, responsible for developing contingency plans and making informed decisions in response to emergencies.

Employee Well-being

Employee well-being is of paramount importance to us, and we prioritise creating a supportive work environment that promotes physical, mental, and emotional wellness, to ensure our employees can thrive both personally and professionally.

As part of our ongoing efforts in promoting health and wellness among staff, we have continuously organised health and wellness lunch talks and workshops such as aromatherapy, tea tasting, massage and on-site vaccination sessions to better protect the health of our employees. Also, the ongoing Employee Assistance Programme provides counselling and consultation services for staff and their immediate families to assist with psychologically related challenges at work or in personal life.

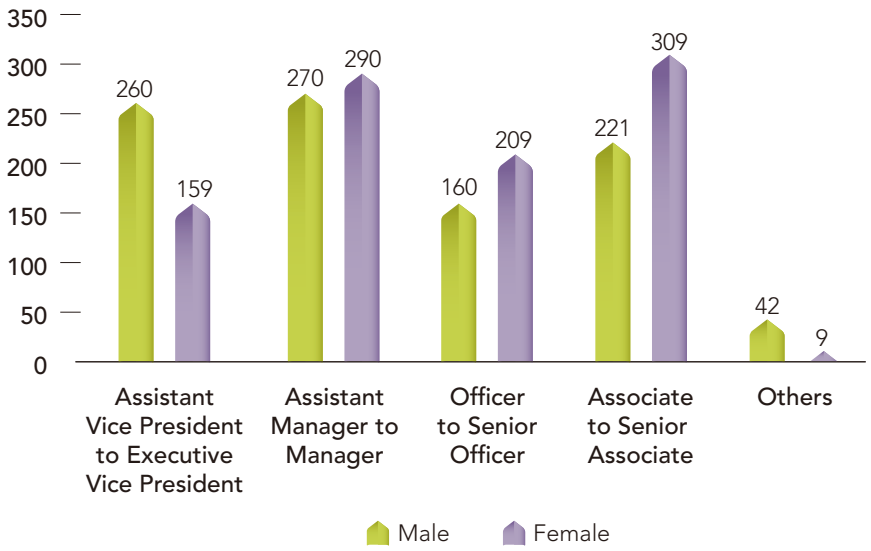
In 2023, we have further implemented several well-being enhancement initiatives for staff, including the launch of a talent subsidy scheme to support capable staff with the capacity to reach their goals at major local or overseas competitions. Additionally, we offered two days of well-being leave per year for full-time staff who have completed a minimum of three months' service to focus on their personal well-being. We also organised team building activities such as baking workshop and fencing experience day as well as provided access to resources and training programmes that promote work-life balance, stress management, and mental health awareness.

2023 PERFORMANCE

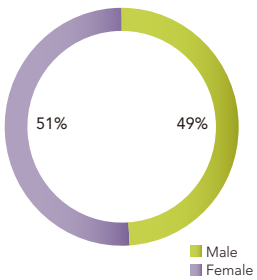
Workforce Distribution

As of 31 December 2023, the Bank had a total of 1,929 employees[4]. The breakdown information of employees is shown below:

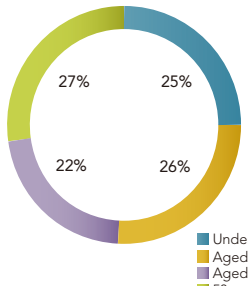
BREAKDOWN OF EMPLOYEES BY CORPORATE TITLE AND GENDER



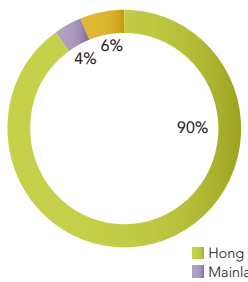
PERCENTAGE OF EMPLOYEES BY GENDER



BREAKDOWN OF EMPLOYEES BY AGE GROUP



BREAKDOWN OF EMPLOYEES BY GEOGRAPHY



[4] The total headcount includes three part-time employees.

Training and Development

In 2023, we conducted an average of 39.4 hours of training per employee, focusing on the following seven areas:



Mind-set, Personal Competencies and Skillsets



Business and Operations



Induction and Orientation



Regulatory, Risk and Compliance



ESG



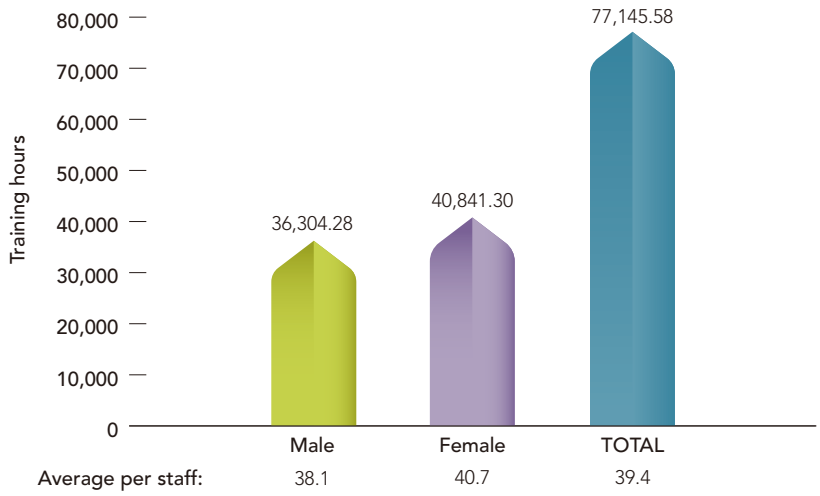
Fintech/Regtech



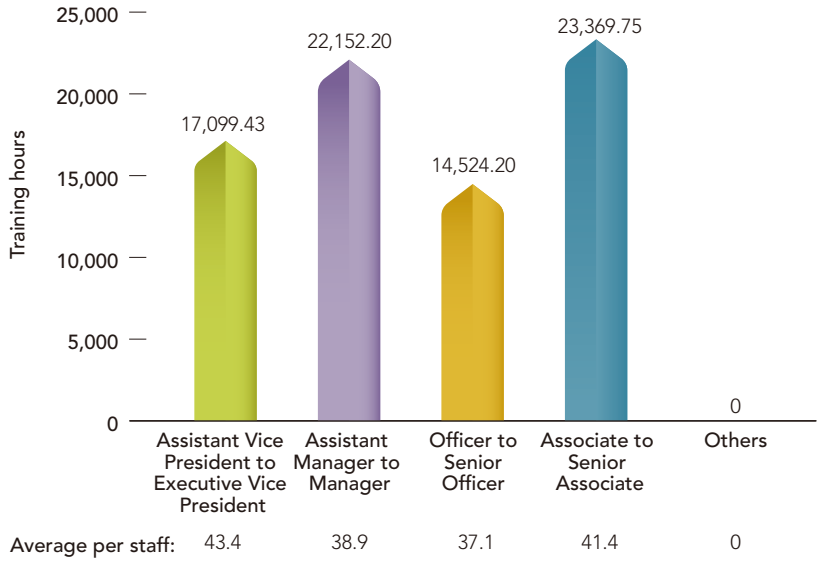
Others

During the Reporting Year, a variety of ESG, green and sustainable finance, climate-related risks, as well as Fintech learning activities in forms of eLearning, seminars, and conferences helped employees gain deeper understanding on these topics. Some of these courses include The Stock Exchange of Hong Kong Limited's ("HKEx") "Hong Kong Carbon Market – Core Climate", "Global and Hong Kong's Sustainable Banking Trends and Their Opportunities", and "Sustainability Evolution – How ESG-ready Financial Institutions Can Enhance Their Value Chains and Win the Business of Next Generation".

BREAKDOWN OF TOTAL TRAINING HOURS BY GENDER



BREAKDOWN OF TOTAL TRAINING HOURS BY CORPORATE TITLE



Occupational Health and Safety

Throughout 2023, we undertook dedicated efforts to enhance the well-being and safety of our employees by launching a series of OHS initiatives, aimed at creating a hazard-free working environment, minimizing potential occupational risks, and enhancing their awareness of OHS practices.

To ensure proper implementation of the Guideline on Occupational Safety and Health, we have strengthened the requirement of performing annual inspections on the necessary OHS actions.

Organised health and safety training have included as examples the following:

- First Aid Certification Course
- Occupational Health Seminar: Office Employees – Prevention of Muscular Strain Injuries



In recognition of the Bank's commitment to creating a hazard-free workplace for our employees, we have received the following awards from different authorities:



Shanghai Commercial Bank Tower was awarded the IAQwi$e Certificate by the HKGOC.



More than 30 premises were awarded the Indoor Air Quality Certificates by the Environmental Protection Department.



Shanghai Commercial Bank Tower was certified for complying with the standards of the Quality Water Supply Scheme for Buildings by the Water Supplies Department.



Lift service and management in Shanghai Commercial Bank Tower attained an Excellent level under the Quality Lift Service Recognition Scheme by the Electrical and Mechanical Services Department.

Team Building Activities

In 2023, the Bank organised team building events across different functions as well as mingling sessions among employees with the objectives of fostering proactive communication among staff, promoting team spirit, enhancing the well-being of staff and reinforcing the Bank's corporate culture.



Directors Sharing Session



HIPO Action Learning Project Presentation



Digital Innovation Award Presentation



Graduate Trainee Programme – Outdoor Experiential Learning

COMMUNITY INVESTMENT

With over 70 years of history in Hong Kong, Shanghai Commercial Bank has always been committed to community contribution beyond the provision of financial services. We maintain close ties with local charities, supporting the delivery of tangible social improvement and support programmes in local communities.

OUR APPROACH

In realising our commitment of "Serving the Community", we dedicate time, resources, and expertise to support those in need. Our efforts include making monetary and in-kind donations to various charitable organisations and educational institutions, as well as participation in environmental and social advocacy programmes. Besides external causes, we also strive to improve work-life balance and well-being of our staff. As indicated in the Bank's Guideline on Community Investment, our philanthropic initiatives primarily focus on three areas:

Environment	Support environmental conservation in communities we serve and promote sustainability across the Bank
Youth Development	Nurture future leaders by providing academic scholarships to build their capabilities
Community Care	Contribute towards improving community life for those in need, including children, the elderly, persons with disabilities, and others



To continue working towards a sustainable future, besides leveraging our long-standing partnerships with flagship non-governmental organisations ("NGOs"), such as Pok Oi Hospital, Po Leung Kuk and the Community Chest of Hong Kong, we also actively pursue cross-sector collaboration opportunities to create a lasting impact in the communities we serve. For more details on community investment programmes and corresponding achievements, please refer to "2023 Performance" below.

2023 PERFORMANCE

During the Reporting Year, the Bank made a monetary donation of approximately HK$10.1 million to our NGO partners and actively engaged in 66 CSR events focused on environmental conservation, youth development, and community care. As acknowledgment of our steadfast commitment to supporting local communities, we were commended with the esteemed "15 Years Plus Caring Company" award by the Hong Kong Council of Social Service. Our sincere appreciation to our staff volunteers for their dedicated community service. We will remain committed to our mission and will continue making a positive impact on society.

Environment

World Wide Fund for Nature Hong Kong ("WWF-HK") Sponsorship

As a gold member of WWF-HK's Corporate Membership Programme, we have organised educational activities for our staff to improve their understanding of issues in relation to conservation and sustainability. In continuation of the coastal restoration project following the destruction of Typhoon Mangkhut at Island House in Tai Po, we further supported the organic farm plantation enhancement initiative within the restoration area this year. In addition, we also sponsored our staff to visit the Hoi Ha Wan Marine Life Centre to raise their awareness towards marine life conservation.













Environment

WWF Earth Hour

Environmental conservation requires collective effort, and we are committed to this endeavor, through annual support of the WWF Earth Hour campaign. On 25 March 2023, non-essential lights were switched off from 8:30 pm to 9:30 pm. Staff were also encouraged to participate actively.

Charter on External Lighting

As a signatory of the Charter on External Lighting, we have taken additional energy saving measures to reduce excess light source at night by switching off unnecessary external lighting during designated timeframes, creating a more sustainable environment with less light pollution for the public.

International Coastal Cleanup HK

To raise awareness around Hong Kong's marine debris issue, our staff volunteers continued to support the annual Green Council International Coastal Cleanup HK to collect and document trash from beaches and waterways. Data gathered during these cleanup activities will be published in 2024 for educational and outreach purposes, as valuable resources to promote responsible waste management practices and marine ecosystem conservation.



Youth Development

Shanghai Commercial Bank Scholarship

In 2023, we continued our scholarship commitment of approximately HK$1.2 million to 12 local universities and tertiary institutions in supporting education to empower future generations in Hong Kong.

Lingnan Walkathon 2023 – Walk for Start-ups!

The walkathon sponsorship enabled us to support and assist Lingnan University students and young alumni with seed funding to pursue their ESG-focused entrepreneurial initiatives in Hong Kong and the Greater Bay Area.





WorldSkills Hong Kong Competition 2023

Organised by Vocational Training Council with the objective to raise awareness and elevate the status of vocational education on a global scale, the continued sponsorship of WorldSkills Hong Kong Competition served as a commitment to support vocational education and skills training. A total of 101 winners would receive further coaching to represent Hong Kong at Worldskills Lyon 2024.





Community Care

The relaxation of social distancing measures in 2023 led to the gradual resumption of physical activities. In place of virtual events, we continued our participation after the recommencement of charity walks, runs, cycling and other fundraising events.

Shanghai Commercial • Pok Oi Cycle for Millions

After a three-year break, "Shanghai Commercial Pok Oi Cycle for Millions", the biggest charity cycling event in Hong Kong, returned on 16 April 2023 with around 6,000 participants joined by members of Sanrio family for a scenic ride over Stonecutters Bridge. Having been the title sponsor for six consecutive years, we have committed to further support this family-friendly sports event for another three years, raising funds for Pok Oi Hospital's social services and promoting low-carbon living.









Community Care

Food Angel Delivering Love Programme

Addressing the surge in demand for food assistance among economically underprivileged families while turning edible surplus food into nutritious meals, we expanded our Food Angel sponsorship to include Winter Festival Meals this year on top of the General Meals Production Programme in 2022. Staff volunteers also helped prepare and distribute nutritious meals and food packs to affiliated beneficiaries.





Festive Food Item Distribution

Besides food assistance, our staff volunteers also paid regular visits to the elderly living alone in public housing. During Dragon Boat and Mid-Autumn Festivals, care packs with festive food items such as rice dumplings and mooncakes were distributed, spreading the festive joy to those in need.





Community Care

Heep Hong Charity Sports Fun Day

As a long-time supporter of Heep Hong Society, we continued to sponsor their annual Charity Sports Fun Day with more than 900 people in attendance, including our basketball and football teams in competition, and staff volunteers. The event raised over HK$1 million for Heep Hong's "Children and Youth Training Fund", to provide professional learning assistance to children with special educational needs (SEN) in low-income families.





Love U All Charitable Foundation – Step With You

Coinciding with our ESG targets, we sponsored Love U All Charitable Foundation's first charity walk with over 600 participants. The campaign was recognised by SDG World Records relating to Goal 3 (Good Health and Well-Being), through providing 600 pairs of new sports shoes to underprivileged families.





Arts & Culture

Title Sponsor of "Tuesdays with Morrie"

In 2023, we proudly sponsored the stage adaptation of Mitch Albom's bestseller "Tuesdays with Morrie", starring renowned artist Alex Fong and theatre veteran Dominic Cheung. The thought-provoking storyline inspires audiences to ponder the meaning and value of life. Besides being the title sponsor, we also sponsored 100 student tickets encouraging the younger generation to consider the lessons within and make a difference in life.







Others



The Community Chest Walk for Millions



The 30th Green Power Hike



Bring Me a Book Hong Kong



UNICEF Charity Run 2023



The 1st Student (Youth) Games of the People's Republic of China



Pok Oi Elderly Singing Contest

Others



Po Leung Kuk Charity Poon Choi Banquet



Silver Lining Foundation X Shanghai Commercial Charity Walk 2023



Pok Oi SO ME SHOW MUSIC Concert



Bloomberg Square Mile Relay

The long-term success of the Bank hinges on its ability to integrate sustainability considerations into every aspect of its business model. At the Bank, this entails promoting GSB practices, as well as extending the accessibility of financial services to broader populations and embracing the opportunities presented by digital and innovative finance. Equally important is the effective management of various risks, particularly climate risk, which could lead to further transformation into other forms of risks lest robust management measures are applied. By considering these sustainability factors and tackling emerging risks during its business activities, the Bank can initiate positive change while also meeting the evolving needs of its customers in the transition to a low-carbon economy.



GREEN AND SUSTAINABLE BANKING

The conversation and audience surrounding sustainability have directed growing attention towards financial institutions and their adherence to ESG considerations in their banking and investment practices. This evolving landscape necessitates that banks position themselves effectively within the backdrop of a societal transition to sustainability.

OUR APPROACH

Situated in a thriving global financial centre, the Bank recognises its pivotal role in championing green and sustainable finance initiatives in Hong Kong. To empower our business in alignment with local trends in green and sustainable finance, we actively explore green opportunities, diligently assess the environmental and social impact of our business activities, and proactively establish GSB initiatives across our diverse range of operations.

As outlined in our 5-year Plan for Corporate Banking, we leverage our tri-bank alliance and participate in ESG-related syndication loans to facilitate the development of green industries and new technologies towards a future with net-zero carbon emission. We also position ourselves as a key player in green loan business thereby properly integrating environmental considerations into financial decision-making processes, ultimately fostering more sustainable practices across the banking industry as a whole.

Case Study

To help enterprises capture green and sustainable financing opportunities, we keep an eye at the market in developing tailored solutions to facilitate their green transition. We also collaborate with other parties to support the development of green and sustainable finance. The Bank partnered with peers from the banking community to establish a number of syndicated sustainability-linked loan to different enterprises, including a Hong Kong property developer in supporting the development of green buildings and their internal capacity.



In Retail Banking, we seek to meeting customers' investment needs while actively promoting sustainability. By integrating sustainability considerations into our services, we hope to effectively highlight the importance of sustainable investment practices to the public. Internally, a Sales Education and Motivation Programme is provided to our sales team, to ensure their adequate capacity to introduce ESG investment opportunities. Externally, we provide educational programmes like online webinars to enhance customer awareness and actively explore market opportunities to expand our range of green finance products, such as ESG funds and green bonds. Additionally, we go beyond customer services by integrating sustainable principles into our own Treasury activities, particularly in our investment portfolios.

To keep abreast of current green and sustainable finance market trends in the region, an annual tripartite conference is organised, leveraging our strategic alliance with Bank of Shanghai in Mainland China and The Shanghai Commercial & Savings Bank in Taiwan, and collaboratively devising strategies to offer products and services that better suit the needs of our customers across different geographical regions particularly through in-bound and out-bound referrals. The 24th tripartite annual conference was held in Wuxi, China in November 2023, where experts were also invited to share the latest insights on sustainable finance.

2023 PERFORMANCE

In 2023, the Bank newly approved a total of HK$0.8 billion in ESG-related syndicated lending. As at end of 2023, the Bank had a total of 70 products in ESG-related bonds and funds.

ESG-RELATED SYNDICATED LENDING

ESG AWARENESS
- ESG fund promotion
- ESG investment seminars

NEW ESG PRODUCTS

RETIREMENT PRODUCTS
- Silver bonds
- Reverse mortgages
- HKMC Annuity Plan

TREASURY
HK$5.4 BILLION ESG-RELATED BONDS

Throughout 2023, the Bank continued to promote green and sustainable finance. To achieve this, we have introduced a series of initiatives aimed at empowering and educating our customers, aiming to foster greater awareness and understanding of ESG investment.



- The "ESG Investment Lucky Draw" was launched, where each customer can get a maximum of 10 lucky draw chances for completed transactions of designated ESG Investment Products.
- Offered 10 Fee Waivers for customer's subscription of "Retail Green Bond 2023" and to provide express transfer services for customer to sell through HKEx or over-the-counter market.
- Commenced strategic and cooperative relationship under the Memorandum of Understanding with HKQAA signed in last quarter of 2023 to assist corporate customers with green assessment and certification in business financing, and thereby promoting the local development of green and sustainable finance.

We have been strengthening our internal green capability by establishing a dedicated team of specialists and staying on top of the latest ESG-related products available in the market. This strategic approach enables us to enhance our ability to provide green customer solutions. We aim to proactively seek opportunities to engage in bilateral loans that prioritise ESG considerations, while ensuring that the options we offer are carefully tailored to meet the unique needs and preferences of our customers.

Hong Kong Green and Sustainable Finance Awards 2023

In the HKQAA's Hong Kong Green and Sustainable Finance Awards 2023, with the theme of "Facilitate Sustainable Finance Development, Promote Climate Risk & ESG Disclosure", the Bank was recognised with three esteemed awards, namely the Outstanding Award for Green and Sustainable Loan Facilitator (Land Investment) – Visionary Sustainability-linked Loan Performance Metrics, the Pioneering Award for Climate Disclosure Contribution, and the Pioneering Award of ESG Disclosure Contribution, showcasing the Bank's commitment to support Hong Kong's development into a green and sustainable finance hub in the region.



INCLUSIVE FINANCE AND INNOVATIVE BUSINESS

Integrating sustainable practices into the finance and banking industry requires the financial institution beyond considering ESG impacts, but also embed inclusive finance and innovation across their business areas. As a community bank, inclusive finance and digitalisation are two key drivers that can synergistically navigate us to a modern business model that caters to the needs of different social groups. By leveraging innovative financial technologies, we contribute to the financial inclusion of vulnerable populations and the development of local economic opportunities.

OUR APPROACH

Inclusive Finance

The finance and banking industry caters to the general public, and in recent years inclusive finance has entered the public consciousness. This is a matter close to our hearts as a community bank, particularly in our service to SMEs and retail customers, and we support the growth of SMEs by offering tailored solutions, which encompass two different timeframes:

In the short run



We will strengthen our infrastructure and channels to offer comprehensive banking services. This includes leveraging the HKSAR Government's SME Financing Guarantee Scheme and actively participating in green-related industries, start-ups and technology, healthcare, import and export, and wholesale and retail trade.

In the long run



We will incessantly enhance our service platforms, including "Shacom Business", our Corporate Banking Mobile App and the HKMA's Commercial Data Interchange, to deliver innovative services and support the growth of SMEs.

In Retail Banking, our focus is on enhancing financial access for individuals from physically and socio-economically disadvantaged groups. To achieve this, we have continuously enhanced our services and infrastructures, by introducing the following approaches:



- Build our branches with barrier-free design concepts, with ramps and meeting rooms to support customers with special needs
- Install voice-navigation ATMs at various branches to support and serve visually impaired customers
- Waive a range of service charges, including check issuance fees for senior citizens
- Provide priority counters at our branches for senior citizen customers
- Optimise the font size of our payment app "Shacom Pay" to improve access of senior citizens and visually disadvantaged customers

Digitalisation and Innovation

As stipulated in the Bank's Three Year Plan of Fintech Adoption, digitalisation brings numerous enhancements to our services, including convenience, security, efficiency, environmentally friendliness, and improved accessibility for a wider audience. To ensure the successful implementation of our digital strategies and the delivery of personalised and trustworthy financial services, we have established the Digital Transformation Committee, which is a cross-functional committee spearheaded by senior management and oversees the Bank's digital transformation strategy and initiatives relevant to fintech, further conducted by the Digital Transformation Division as shown below:

- Deliberate investment decisions related to digital transformation
- Promote our digital culture across the Bank, such as relevant training programmes provided to our staff, covering the theme of fintech and digital transformation
- Implement the 3-year plan on fintech adoption to enhance customer experience, operational efficiency, big data analytic application as well as risk management and monitoring
- Coordinate with relevant authorities such as HKMA to facilitate data management
- Enhance the internet banking functions of U.S. and U.K. branches
- Extend the faster payment service (FPS) to corporate internet and mobile banking



2023 PERFORMANCE

To foster fintech collaboration, we partnered with Bank of Shanghai and The Shanghai Commercial & Savings Bank to organise the 2023 InnoFuture of FinTech Challenge. Interested start-ups from Hong Kong, Taiwan, and Mainland China were invited to submit their proposal showcasing their innovative ideas that can contribute to expanding the Bank's financial technology application to enhance the overall customer banking service experience. Winning teams had the chance to engage in proof of concept opportunities, and explore strategic partnerships to customise their innovation according to the Bank's business requirements.

In 2023, we continued to accelerate our digital transformation and utilised financial technology to provide customers with the highest quality, transparent, digital retail and corporate banking services, as shown in the following initiatives:

To enhance efficiency and capitalise on opportunities for SMEs, the Bank has launched a new online account opening and loan application platform, where SMEs can easily apply for accounts and loans, streamlining processes and enabling quick approvals. Through this fully digitised service, the Bank aims to provide SMEs with a seamless and expedited banking experience, allowing them to focus on their core operations and seize business opportunities promptly.

The Bank has also introduced the second phase of "Shacom Bank" mobile application, offering a new feature that allows new individual customers to remotely open deposit accounts and securities account as well as apply for credit cards simultaneously, without the need to visit a branch in person. With just a smartphone, customers can further complete the account opening process and gain instant access to online banking, enabling them to manage their accounts seamlessly and enjoy fast and convenient banking services anytime and anywhere.



The Bank utilises HKMA's Commercial Data Interchange, which was launched in 2022, to facilitate the credit approval process, and we are also in the preparation on joining the pilot programme of HKMA's Interbank Account Data Sharing, an initiative that enables secure sharing of customer bank account data between banks with customer consent.

CLIMATE CHANGE RESPONSE

Climate change is an unprecedented global challenge that demands our immediate attention, as its consequences, ranging from disruption of food production due to shifting weather patterns to heighten risks of catastrophic flooding caused by rising sea levels, are far-reaching and of an unprecedented magnitude. Additionally, the financial system also faces unique types of risk from climate change, including the potential damage resulting from extreme weather events or devaluation of assets in carbon-intensive sectors.

Regulators worldwide are now increasingly emphasising the importance of addressing climate-related risks, as demonstrated by initiatives such as the HKMA's requirements for banks to manage climate risks. Within this context, it is crucial for corporates to pay sufficient attention to climate change management, as failure to do so may make it increasingly difficult and costly to adapt to climate impacts in the future. We fully recognise the urgency of this issue and have taken proactive measures, including allocation of sufficient resources and development of tailored responses to effectively manage and mitigate climate-related risks.

OUR APPROACH

In addition to actively reducing our own carbon footprint and support the transition to a low-carbon economy, the Bank takes a proactive approach to address climate change and integrate risk considerations into our sustainability framework, ensuring that climate risk is embedded throughout our overall sustainability strategy, which is led by the management-level Sustainability Working Group.

The Climate Risk Management Framework, an overarching guidance for the Bank to analyse physical and transition climate-related risks under various climate scenarios, was first developed in 2022 and subsequently approved by the Board. We strictly adhere to this framework, and implement comprehensive measures, encompassing governance structure, scenario analysis and results monitoring, to manage and mitigate climate-related risks, contributing to the long-term resilience and sustainability of our business. For more detailed information on our approach and assessment result, please refer to the "Risk Management" section in the TCFD report provided below. To stay informed about the latest trends impacting our industry sector, we maintain regular engagement with regulators such as HKMA, and adopt the most appropriate measures to address the challenges posed by climate change.

2023 PERFORMANCE

In 2023, we conducted a thorough review and subsequent updates on our Climate Risk Management Framework by aligning the types of high carbon sectors with the latest CRST, and updating the roles and responsibilities of the relevant parties involved in the policy review and approval process.

In addition, to understand our SMEs customer's strategy and current status in climate-related risks management, and thereby to streamline client engagement whilst informing a solid climate database for the Bank, we have adopted the Climate and Environmental Risk Questionnaire for Non-listed companies, which was published by the Green and Sustainable Finance Cross-Agency Steering Group and the Carbon Disclosure Project.

2023 TCFD REPORT

The banking industry faces a distinct form of risk from climate change, which carries a high probability of occurrence with widespread impacts on global business, and persistent growth unless immediate action is taken. The Bank acknowledges its critical role in supporting diverse industries and sectors to combat climate change and enhance their climate resilience. In response, we started the disclosure of our efforts related to the TCFD in 2021, to provide transparency to our stakeholders regarding our advancements, and we will continue to enhance our governance, strategy, risk management and monitoring processes in accordance with the recommendations put forth by the TCFD.



GOVERNANCE



STRATEGY



RISK MANAGEMENT



METRICS AND TARGETS



Governance

Sustainability governance structure is in place to effectively address and closely monitor the impact of the Bank's business activities on the environment and society.

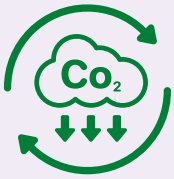
Board of Directors	• Oversee the development and implementation of the Bank's key sustainability-related strategies, targets and plans • Receive recommendations from Sustainability Committee on sustainability-related matters • Deliver sustainable value to shareholders and foster sustainable growth
Sustainability Committee	• Oversee and manage the development and implementation of the Bank plan in embedding climate-related risks into the risk management framework • Receive relevant management information regularly for risk oversight and updates on major policy initiatives and developments on climate-related issues
Risk Committee	• Oversee climate risks through regular monitoring of relevant exposures, reviewing and endorsing the Climate Risk Appetite Statement and the Climate Risk Management Framework for the Board's approval

Sustainability Working Group 	• Implement the Bank's sustainability initiatives and risk management framework, encompass driving the necessary changes and addressing climate-related issues • Ensure the effectiveness of the framework through regular review, formulation, and implementation of relevant policies and processes • Establish effective escalation channels for reporting by material risks and exceptions

Further discussion on sustainability governance of the Bank are set out in the sections headed Our Approach to Sustainability and Robust Governance of this Sustainability Report.

Strategy

The Bank takes a proactive approach in identifying the key topics/goals concerning climate change response, green and sustainable finance through conducting stakeholder engagements and materiality assessments. Based on a combination of internal factors, including the Bank's strengths and weaknesses, and external factors including operating environment and locations, we have established specific targets which we would review regularly to assess progress. Below are some selected examples of climate-related risks and opportunities that the Bank has identified.

Climate-related Risk	Potential Financial Impact	Time Horizon[5]
Transition Risks relate to the process of adjustment towards a lower-carbon economy. 	**Policies and regulations:** Carbon taxes are commonly employed to evaluate climate resilience, but more stringent regulations on GHG emissions may impose additional disclosure obligations. These effects can have implications for profitability, funding expenses, and investor relations.	Short term to Long term
	Technology development: The impact of emerging technologies on climate change adaptation and mitigation efforts is material, yet the exact impact is unknown. Managing risk requires significant investments to reduce costs and accelerate the development of low-carbon technologies.	Long term
	Market: Due to gradual changes in weather patterns and landscapes, as well as natural resource constraints, customer needs are constantly changing. This impact can lead to changes in consumer behavior, increased uncertainty in market signals, and the risk of material costs.	Short term
	Reputation: Reputational risk arises from the shift in customer and community perception regarding an organisation's efforts to contribute to or transition to a low-carbon economy. This risk includes criticism of specific industries, increasing stakeholder concerns, and emerging climate-related litigation involving governments, businesses, and investors.	Short term to Long term

[5] Short term: 0–5 years; Long term: 5–30 years

Climate-related Risk	Potential Financial Impact	Time Horizon
Physical Risks arise from changes in weather and climate that impact the economy, including acute impacts and chronic impacts of climate change. 	**Acute:** Acute climate-related incidents, such as heat waves, floods, hurricanes, and wildfires, have the potential to negatively impact asset values, increase underwriting risk for insurers, and result in reduced coverage, higher premiums, increased capital and operating costs, and decreased liquidity and value of real estate, facilities, infrastructure, and other assets in specific regions.	Short term to Long term
	Chronic: The chronic effects of climate change, especially rising temperatures, rising sea levels, and precipitation, may result in heat waves, floods, hurricanes, and wildfires. This impact may affect labour capital and agricultural productivity and requires significant investment and adaptation by businesses, households, and governments.	Long term

Climate-related Opportunity	Potential Financial Impact	Time Horizon
Sustainable and Green Operations 	We prioritise minimising our own carbon footprint by implementing sustainable operations and establishing GHG emission reduction targets. In addition, we actively monitor our performance against these targets and make necessary improvements to enhance our sustainability efforts. Detailed information about the Bank's approach to carbon management can be found in the Sustainable Operations section.	Short term to Long term
Green and Sustainable Finance 	Our goal is to facilitate the transition to a low-carbon economy through our initiatives in green and sustainable finance. As mentioned in the Green and Sustainable Banking section, we deployed a wide range of financial products and services to support our customers in building resilience and capitalising opportunities arising from climate change.	Short term to Long term

As a financial institution that proactively responds to climate change, the Bank incorporates climate-related strategic goals into relevant business and lending policies as appropriate. For example, climate risk considerations are integrated into client's risk profiling through the Sectoral Lending Guideline. In addition, the Bank has implemented a phased approach to develop and establish a climate risk appetite, initially focusing on qualitative principles to ensure the Bank's investments, products and service offerings are aligned with the overall climate strategy and our corporate values.

In addition to integrating climate considerations into the Bank's business operations and risk management, we strive to incorporate broader sustainability factors into staff performance evaluations whenever feasible. The Bank also allocates sufficient resources to enhance its capabilities in implementing climate change strategies, including staff upskilling and reskilling, talent recruitment, and seeking advice from external consultants.

In addition, as climate-related risks require reliable data for monitoring and assessment, we continue to improve our data collection processes and systems to capture the necessary information for effective implementation of the climate strategy and to enhance support for SMEs in green transitioning. Furthermore, to assess the Bank's potential vulnerability in terms of profitability and capital adequacy under challenging business condition caused by climate change, we applied climate scenario analysis and stress tests under different climate scenarios, which are further discussed in the Risk Management section below.

Risk Management

Climate-related risk considerations have been integrated into the Bank's current risk management framework, and we have established effective risk management process to identify, measure, monitor, report, control, and mitigate climate risks. In line with the Bank's established risk governance framework, the responsibilities of managing climate-related risks are allocated across the "Three Lines of Defence".

First Line of Defence



The Bank's frontlines and business units, (e.g. Corporate Banking Division, Retail Banking Division, Treasury Division), are responsible for performing activities involving risk-taking. It is crucial for the relevant staff to possess adequate awareness and understanding to identify and evaluate potential climate-related risks.

Second Line of Defence



The Bank's risk management functions, (e.g. Credit Division, Risk Management Division, Legal and Compliance Division) performed the management of risks related to climate change, as outlined in the Bank's Climate Risk Management Framework.

Third Line of Defence



Conducted through independent and effective internal audits by the Internal Audit Department to ensure the effectiveness of the Bank's climate-related risk management.

The Bank develops the Climate Risk Management Framework in accordance with the HKMA's Supervisory Policy Manual GS-1 on climate risk governance and management. To effectively manage climate-related risks, the Bank evaluates the significance of both physical and transition risks and examines the potential impacts of climate risks on traditional risk types, as well as our business. For instance, the Bank incorporates the methodology in HKMA's pilot CRST exercise to identify carbon intensive industry sectors and assesses our exposures to climate risk. We also adopt approaches such as CRST and scenario analysis to identify, classify, and measure risk transmitting from climate risk to traditional risks related to the banking sector, such as credit risk, liquidity risk, and interest rate risk.

Transition Risk Analysis

Transition risks refer to the potential financial risk impact to sectors or borrowers arising from the process of transitioning to a lower-carbon economy. This includes factors such as the launch of climate policy and regulation measures, technological advancements and shifts in market sentiment. To assess the impact of transition risks on the Bank, we conducted a transition risk analysis in line with regulatory guidelines, considering their corresponding financial implications.

Our transition risk scenario analysis is conducted based on the latest representative climate scenarios developed by the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS") as shown below. The NGFS scenarios employed in the analysis are "Disorderly", "Orderly" and "Hot House World" scenarios.

Disorderly 	The "Disorderly" scenario assumes a challenging path towards limiting global warming to below 1.5°C within this century, due to policies being delayed and divergent across countries and sectors. Abrupt changes in energy consumption patterns and a more significant increase in carbon price would be observed.
Orderly 	The "Orderly" scenario assumes that global climate actions are early and efficiently introduced and steadily pursed, resulting a smooth trajectory towards achieving the Paris Agreement.
Hot House World 	The "Hot House World" scenario assumes limited global actions are taken to address climate change, resulting in the failure of nations to meet their respective targets under the Paris Agreement, and implying irreversible impacts such as a significant rise in global sea levels.

The transition risk analysis focuses on the following seven high carbon-emission sectors:


ENERGY


UTILITIES


METALS & MINING


MANUFACTURING


PROPERTY DEVELOPMENT


CONSTRUCTION


TRANSPORTATION

The Bank conducted transition risk assessment linked to seven high-carbon emission sectors, considering portfolios within specific ranges (e.g. loans and advances, debt securities, and traded equities portfolio). The limited exposure of the loan and prepayment portfolio to carbon-intensive sectors like energy and utilities resulted in a minimal impact on capital adequacy ratio ("CAR"), for less than 1% overall.

Physical Risk Analysis

Physical risks are associated with climate- and weather-related events, including shifts in climate patterns that result in rising sea levels and temperatures. The Bank conducted an assessment of the impact of physical risks on its operations refer to the guidance provided by the HKMA.

The physical risk analysis considers the acute impacts of extreme weather events in Hong Kong, such as rising temperatures, sea levels and the strengthening of tropical cyclones, and takes into account scenarios and climate pathways outlined by the Intergovernmental Panel on Climate Change (IPCC).

We conduct physical risk assessments of property collateralised loans and advances, property investment, and operational losses due to abnormal weather (e.g. tropical cyclones and floods) at our main business sites. The quantification of physical risks involved assessing the value of affected physical properties, anticipated disruptions to business operations, and evaluating the overall impact on the Bank's CAR. The results of the assessment indicate that the impact of physical risks on the Bank's CAR is minimal, amounting to less than 1%. While there may be relatively higher risk exposure to operational losses resulting from disruptions to banking activities within the assessed portfolios, the impact on CAR remains insignificant.

Monitoring

Based on the climate risk analysis conducted on portfolio data in 2023, the Bank determined that the overall impact on the CAR is considered as low and insignificant, no immediate risk mitigation action is required. Although the impact assessed is minimal, the Bank will continue to actively monitor climate change risks using the policies and protocols outlined in the Climate Risk Management Framework. Regular assessments of the Bank's portfolios will be conducted to identity climate risk exposures, and the findings will be reported at regular intervals to the management and the Risk Committee. Scenario analysis will also be performed periodically to evaluate the Bank's resilience to climate change across various climate scenarios, and will support the development of plans to mitigate any adverse impacts. To ensure effective risk monitoring, climate-related risk exposures and scenario analysis results will be regularly reported to management-level committees, aligning them with the established risk appetite. Furthermore, the Bank will provide annual climate risk management training to equip staff with the necessary knowledge and skills to manage climate-related risks.

The Bank is also undertaking various initiatives to address climate change, including but not limited to enhancing the reporting granularity and the presentation methods for climate risk-related information. As part of these efforts, a tool has been introduced to visualise the level of physical risk across different locations, which can highlight areas with higher risks and provide corresponding high-level risk implications. It condenses the existing way of interpreting climate-related data and can serve as auxiliary information to support relevant decision-making processes within the Bank.



Metrics and Targets

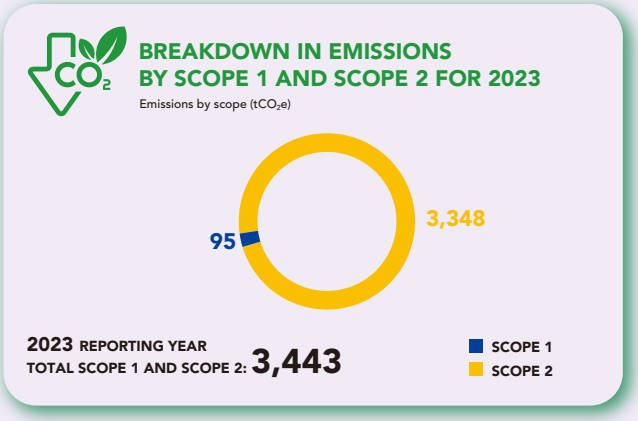
To show the Bank's dedication to facilitating the transition towards a sustainable economy while managing the growing exposures to climate and other ESG-related risks, we have established a range of targets pertaining to our business to seize climate-related opportunities.



To manage climate-related risks effectively, the Bank has established quantitative metrics and targets regarding GHG emissions, energy usage, material usage, waste management, and water usage of our own business operations. These metrics are designed to align with the materiality of the climate-related risks to our business operations and the recommendations by TCFD. The Bank will regularly assess its performance against these targets and develop action plans to enhance its practices as necessary.

GHG Emissions

Scope	Unit	2023	2022
Scope 1	tCO_2e	95	76
Scope 2		3,348	3,478
Total Scope 1 and Scope 2		3,443	3,554



To monitor the impact of climate-related risks on lending portfolios in both short term and long term, as well as gradually reduce our environmental footprint, the Bank will continue to regularly assess the CAR arising from relevant portfolios as a metric and further establish limit on loans and advances to the seven high carbon emission industries as well as on bond portfolio to those industries. Additionally, we will continue to enhance our existing evaluation process for customers during onboarding and regular client review and utilise our climate toolkits.

ECONOMIC PERFORMANCE

CATEGORY	UNIT	2023	2022
Direct economic value generated and distributed			
Revenue	HKD million	5,849.1	5,294.6
Operating costs		593.4	627.6
Employee compensation and benefits		1,199.1	1,108.0
Payment to providers of capital		551.1	506.3
Payments to government in **Hong Kong**		384.5	344.1
Payments to government in **Mainland China**		20.2	73.2
Payments to government in **Overseas**		347.2	318.9
Economic value retained		2,743.6	2,308.9
Total financial donations to charitable organisations		10.1	7.6

Note: Economic performance of 2022 is restated due to change in accounting policy.

ENVIRONMENTAL PERFORMANCE

HKEX KPI	INDICATOR	UNIT	2023	2022
Energy				
KPI A2.1	**Total direct and indirect energy consumption by type**			
	Total energy consumption	'000 kWh	7,718.81	7,849.26
	Total electricity consumption	'000 kWh	7,230.88	7,571.04
	Total heating purchased for consumption	'000 kWh	–	–
	Total cooling purchased for consumption	'000 kWh	–	–
	Total fuel consumption from non-renewable sources (towngas & vehicle fuel)	'000 kWh	487.93	278.22
	Total fuel consumption from renewable sources	'000 kWh	–	–
KPI A2.1	**Overall energy intensity of the Group**			
	By Gross Floor Area ("GFA")	'000 kWh/m^2	0.15	0.15
Water				
KPI A2.2	**Water consumption**			
	Total consumption of municipal fresh water	m^3	5,738.42	5,900.68
	Water intensity			
	Per square meter of GFA	m^3/m^2	0.11	0.12

HKEX KPI	INDICATOR	UNIT	2023	2022
Air emissions				
KPI A1.1	**Emissions from gaseous fuel consumption**			
	Nitrogen Oxide ("NOx")	kilogram ("kg")	18.97	0.36
	Sulphur Oxide ("SOx")	kg	0.12	0.0018
	Emissions from vehicles			
	NOx	kg	31.82	23.28
	SOx	kg	0.92	0.39
	Particular matter	kg	2.64	1.85
Carbon emissions				
KPI A1.2	**Total GHG emissions in Hong Kong**			
	Scope 1 emissions	tCO_2e	75.26	75.73
	Scope 2 emissions	tCO_2e	3,000.20	3,179.26
	Scope 1 & 2 emissions	tCO_2e	3,075.46	3,254.99
	GHG emissions intensity per unit of GFA	tCO_2e/m^2	0.07	0.07
KPI A1.2	**Total GHG emissions in Mainland China**			
	Scope 1 emissions	tCO_2e	19.28	–
	Scope 2 emissions	tCO_2e	158.14	147.41
	Scope 1 & 2 emissions	tCO_2e	177.42	147.41
	GHG emissions intensity per unit of GFA	tCO_2e/m^2	0.07	0.06
KPI A1.2	**Total GHG emissions from Overseas**			
	Scope 1 emissions	tCO_2e	0.68	–
	Scope 2 emissions	tCO_2e	189.38	151.05
	Scope 1 & 2 emissions	tCO_2e	190.06	151.05
	GHG emissions intensity per unit of GFA	tCO_2e/m^2	0.05	0.04
KPI A1.2	**Total GHG emissions of Shanghai Commercial Bank**			
	Scope 1 emissions	tCO_2e	95.22	75.73
	Scope 2 emissions	tCO_2e	3,347.72	3,477.72
	Scope 1 & 2 emissions	tCO_2e	3,442.94	3,553.45
	GHG emissions intensity per unit of GFA	tCO_2e/m^2	0.07	0.07

HKEX KPI	INDICATOR	UNIT	2023	2022
Materials use and waste				
KPI A1.3	Printer cartridges recycled	tonnes	0.32	0.40
KPI A1.4	Paper consumption	tonnes	72.00	100.85
	Paper recycled	tonnes	91.58	90.19
	Paper waste intensity	kg per full-time employee per year	37.38	54.25

Notes:

- Environmental performance of 2022 is restated due to review in the data collection points to align with that of 2023 for comparison.
- The increase in total fuel consumption from non-renewable sources (towngas & vehicle fuel) and emissions from gaseous fuel consumption in 2023 is due to the review of the data collection scope to include overseas branches.
- The change in the water consumption is due to the review of the 2022 and 2023 data collection points.
- Scope 1 and 2 GHG emissions were estimated according to the HKEx's How to prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs and the Hong Kong Government's Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010 Edition). Calculations use IPCC Sixth Assessment Report (AR6) Global Warming Potential figures where relevant.
- Scope 2 GHG emissions were calculated based on electricity and towngas consumed, as well as the corresponding market-based emission factors as provided by the utility companies in Hong Kong and overseas energy organisations. Where market-based emission factors are not available, calculations use location-based factors.
- Recycled paper data only includes copy paper and IT paper, our most material paper types.

WORKFORCE DATA

Employees by gender and age

HKEX KPI		2023 TOTAL	MALE	FEMALE	<30	30–39	40–49	≥50
KPI B1.1	Overall	1,929	953	976	485	505	424	515
	Hong Kong	1,737	871	866	452	443	369	473
	Mainland China	69	27	42	5	37	24	3
	Overseas	123	55	68	28	25	31	39

HKEX KPI	LOCATION	2022 TOTAL	MALE	FEMALE	<30	30–39	40–49	≥50
KPI B1.1	Overall	1,864	909	955	443	495	418	508
	Hong Kong	1,675	828	847	409	426	370	470
	Mainland China	70	28	42	8	40	20	2
	Overseas	119	53	66	26	29	28	36

Employees by contract type

HKEX KPI	LOCATION	2023 PERMANENT CONTRACT	2023 FIXED TERM/ TEMPORARY CONTRACT	2023 FULL-TIME	2023 PART-TIME
KPI B1.1	Hong Kong	1,685	52	1,735	2
	Mainland China	68	1	69	0
	Overseas	122	1	122	1

HKEX KPI	LOCATION	2022 PERMANENT CONTRACT	2022 FIXED TERM/ TEMPORARY CONTRACT	2022 FULL-TIME	2022 PART-TIME
KPI B1.1	Hong Kong	1,628	47	1,670	5
	Mainland China	69	1	70	0
	Overseas	119	0	119	0

Employees by corporate title

HKEX KPI	GENDER	2023 ASSISTANT VICE PRESIDENT TO EXECUTIVE VICE PRESIDENT	2023 ASSISTANT MANAGER TO MANAGER	2023 OFFICER TO SENIOR OFFICER	2023 ASSOCIATE TO SENIOR ASSOCIATE	2023 OTHERS
KPI B1.1	Male	260	270	160	221	42
	Female	159	290	209	309	9

HKEX KPI	GENDER	2022 ASSISTANT VICE PRESIDENT TO EXECUTIVE VICE PRESIDENT	2022 ASSISTANT MANAGER TO MANAGER	2022 OFFICER TO SENIOR OFFICER	2022 ASSOCIATE TO SENIOR ASSOCIATE	2022 OTHERS
KPI B1.1	Male	248	253	162	197	49
	Female	145	291	200	306	13

Turnover and turnover rate by location, gender and age

HKEX KPI	LOCATION/GENDER/AGE	2023 NUMBER	2023 RATE (%)	2022 NUMBER	2022 RATE (%)
KPI B1.2	Overall	347	18.0	406	21.8
	Hong Kong	333	19.2	385	23.0
	Mainland China	1	1.4	0	0.0
	Overseas	13	10.6	21	17.6
	Male	174	18.3	213	23.4
	Female	173	17.7	193	20.2
	<30	170	35.1	215	48.5
	30–39	114	22.6	134	27.1
	40–49	42	9.9	45	10.8
	≥50	21	4.1	12	2.4

TRAINING AND DEVELOPMENT

Training by gender and corporate title

HKEX KPI	CATEGORY	2023 AVERAGE TRAINING HOURS	2023 PERCENTAGE OF EMPLOYEES TRAINED (%)	2022 AVERAGE TRAINING HOURS	2022 PERCENTAGE OF EMPLOYEES TRAINED (%)
KPI B3.1 KPI B3.2	Male	38.1	100	32.6	100
	Female	40.7	100	37.8	100
	Assistant Vice President to Executive Vice President	43.4	100	34.8	100
	Assistant Manager to Manager	38.9	100	34.2	100
	Officer to Senior Officer	37.1	100	34.9	100
	Associate to Senior Associate	41.4	100	37.2	100
	Others	0	0	0.8	3.2

HEALTH AND SAFETY

Workplace injuries and fatalities

HKEX KPI	CATEGORY	2023	2022	2021
KPI B2.1	No. of work-related fatalities	Total	Total	Total
	Overall	0	0	0
KPI B2.2	Lost days due to work related injury	Total	Total	Total
	Overall	30.5	135	20
	Hong Kong	30.5	135	20
	Mainland China	0	0	0
	Overseas	0	0	0

SOCIAL DATA

Fair products and services, responsible marketing, as well as human rights and society

HKEX KPI	INDICATOR	2023	2022
KPI B6.2	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	0	0
	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	1	0
	Total number of substantiated complaints regarding standards, refund or compensation requests, and bank policy or practices	3	0
KPI B7.1	Confirmed incidents of corruption and action taken	0	0

SUPPLIERS

Suppliers by geographic location

HKEX KPI	LOCATION	2023 NUMBER	2023 PERCENTAGE (%)	2022 NUMBER	2022 PERCENTAGE (%)
KPI B5.1	Europe	35	6	0	0
	Hong Kong	219	38	65	93
	Mainland China	6	1	1	1
	Asia and Australia	15	2	0	0
	North America	306	53	4	6

Note: 2022 data includes material suppliers only while 2023 data includes all suppliers.

COMMUNITY CONTRIBUTIONS

Charitable donations and volunteering

HKEX KPI	CATEGORY	UNIT	2023	2022
KPI B8.2	Charitable donations by category	HKD'000	10,132	7,643
	Environment	HKD'000	357	181
	Youth Development	HKD'000	2,552	1,729
	Community Care	HKD'000	7,279	5,463
	Others	HKD'000	244	270
KPI B8.2	Volunteering hours	Hours	2,390	2,325

AWARDS AND RECOGNITIONS

AWARDS IN 2023	AWARDING BODY
CAPITAL Magazine Merits of Achievements in Banking & Finance 2023 – Trade Finance Banking Services	South China Media Limited
EDigest Brand Awards 2023 – Best SME Financing Services	EDigest Hong Kong
Corporate Brand Awards of Excellence 2023 – SME Banking Services	Hong Kong Economic Journal
Best SME's Partner Gold Award	The Hong Kong General Chamber of Small and Medium Business
ESG Leading Enterprise Award	The Hong Kong General Chamber of Small and Medium Business
Outstanding Award for Green and Sustainable Loan Facilitator (Land Investment) – Visionary Sustainability-linked Loan Performance Metrics	Hong Kong Quality Assurance Agency
Pioneering Award for Climate Disclosure Contribution	Hong Kong Quality Assurance Agency
Pioneering Award for ESG Disclosure Contribution	Hong Kong Quality Assurance Agency
Privacy-Friendly Awards 2023 – Gold Award	Office of the Privacy Commissioner for Personal Data, Hong Kong
Hong Kong SME Innovation Awards 2023 – The Best SME Partnership Award	Hong Kong Greater China SME Alliance Association
CTgoodjobs Best HR Awards 2023 – Best ESG Award	CTgoodjobs
CTgoodjobs Best HR Awards 2023 – Best Graduate and Management Trainee Programme Award	CTgoodjobs
2022/23 The Community Chest Corporate and Employee Contribution Programme – Gold Award	The Community Chest of Hong Kong
Annual Awards Ceremony 2022/2023 – Award of Distinction	The Community Chest of Hong Kong
15 Years Plus Caring Company Award	The Hong Kong Council of Social Service

AWARDS IN 2023	AWARDING BODY
Social Capital Builder Logo Award 2022–24	Home and Youth Affairs Bureau – Community Investment and Inclusion Fund
Official SDG World Records – Goal 3: Good Health and Well-being – "Love U All Charitable Foundation – Step With You" shoes donation program – Supporting Organisation	SDG World Records
Provisional Gold, BEAM Plus – Shanghai Commercial Bank Tower – Residential and Commercial Development of Catchick Street, Kennedy Town	Hong Kong Green Building Council
Platinum Award, Charter on External Lighting	Environment and Ecology Bureau
Wastewi$e Certificate	Hong Kong Green Organisation Certification
IAQwi$e Certificate	Hong Kong Green Organisation Certification
HKIB Talent Development Award 2023	The Hong Kong Institute of Bankers

MEMBERSHIPS

MEMBERSHIPS IN 2023	ORGANISATION
Corporate Membership Programme 2023/24 – Gold Member	WWF-HK
Corporate Membership Programme 2023/24 – Gold Member	Green Council
General Member	Business Environment Council

GLOSSARY

TERM	DEFINITION
AML	Anti-Money Laundering
CAR	Capital Adequacy Ratio
CFT	Counter-Financing of Terrorism
Code	Code of Conduct
CRST	Climate Risk Stress Test
CSR	Corporate Social Responsibility
ESG	Environmental, Social and Governance
GFA	Gross Floor Area
GSB	Green and Sustainable Banking
GHG	Greenhouse Gases
HKEx	The Stock Exchange of Hong Kong Limited
HKGOC	Hong Kong Green Organisation Certification
HKMA	Hong Kong Monetary Authority
HKQAA	Hong Kong Quality Assurance Agency
HKSAR	Hong Kong Special Administrative Region
KPIs	Key Performance Indicators
kg	Kilogram
kWh	Kilowatt hours
Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
MSA	The U.K. Modern Slavery Act 2015
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NGOs	Non-governmental Organisations
NO_x	Nitrogen Oxide
OHS	Occupational Health and Safety
SCB	Shanghai Commercial Bank
SCoC	Supplier Code of Conduct
SMEs	Small and Medium-Sized Enterprises
SO_x	Sulphur Oxide
TCFD	Task Force on Climate-related Financial Disclosures
tCO_2e	Tonnes of CO_2 Equivalent
The Bank	Shanghai Commercial Bank
The Board	The Board of Directors
The Reporting Year	Financial year of 2023 from 1 January to 31 December 2023
UNSDGs	United Nations Sustainable Development Goals
WWF-HK	The World Wide Fund for Nature – Hong Kong

CONTENT INDEX

ESG Reporting Guide Content Index

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs	DESCRIPTION	PAGE NUMBER(S) AND/OR EXPLANATIONS
Mandatory Disclosure Requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Board Statement on Sustainability (P. 6–7); Chief Executive's Message (P. 8); Sustainability Governance (P. 12–16); Robust Governance: – Governance Structure (P. 32) – Risk Management (P. 33–34)
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG Report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be discussed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	About this Report (P. 5); Sustainability Strategy, Policy and Target (P. 17–20); Stakeholder Engagement & Materiality Assessment (P. 21–23)
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	About this Report (P. 5); Sustainability Strategy, Policy and Target (P. 17–20); Stakeholder Engagement & Materiality Assessment (P. 21–23)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs	DESCRIPTION	PAGE NUMBER(S) AND/OR EXPLANATIONS
"Comply or explain" Provisions		
A. Environmental		
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.	2023 Highlights and Progress Update: – Sustainable Operations Highlights (P. 9); Environmental and Carbon Management (P. 24–28)
A1.1	The types of emissions and respective emissions data.	Environmental and Carbon Management: – GHG Emissions and Energy Usage (P. 25) – 2023 Performance (P. 28); Our Performance: – Environmental Performance (P. 85)
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental and Carbon Management: – 2023 Performance (P. 28); 2023 TCFD Report (P. 83); Our Performance: – Environmental Performance (P. 85)
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Performance: – Environmental Performance (P. 86)
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Our Performance: – Environmental Performance (P. 86)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs	DESCRIPTION	PAGE NUMBER(S) AND/OR EXPLANATIONS
"Comply or explain" Provisions		
A. Environmental		
A1 Emissions		
A1.5	Description of emissions target(s) set and steps taken to achieve them.	2023 Highlights and Progress Update: – Sustainable Operations Highlights (P. 9); Environmental and Carbon Management: – GHG Emissions and Energy Usage (P. 25) – 2023 Performance (P. 28)
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	2023 Highlights and Progress Update: – Sustainable Operations Highlights (P. 9); Environmental and Carbon Management: – Paper Use (P. 26) – Waste Management and Water Usage (P. 26)
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2023 Highlights and Progress Update: – Sustainable Operations Highlights (P. 9); Environmental and Carbon Management (P. 24–28)
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental and Carbon Management: – 2023 Performance (P. 28); Our Performance: – Environmental Performance (P. 84)
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental and Carbon Management: – 2023 Performance (P. 28); Our Performance: – Environmental Performance (P. 84)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs	DESCRIPTION	PAGE NUMBER(S) AND/OR EXPLANATIONS
"Comply or explain" Provisions		
A. Environmental		
A2 Use of Resources		
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	2023 Highlights and Progress Update: – Sustainable Operations Highlights (P. 9); Environmental and Carbon Management: – GHG Emissions and Energy Usage (P. 25) – 2023 Performance (P. 28)
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental and Carbon Management: – Waste Management and Water Usage (P. 26)
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging material to be not material to the Bank's operations
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	2023 Highlights and Progress Update: – Sustainable Operations Highlights (P. 9); Environmental and Carbon Management (P. 24–28)
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2023 Highlights and Progress Update: – Sustainable Operations Highlights (P. 9); Environmental and Carbon Management: – GHG Emissions and Energy Usage (P. 25) – Paper Use (P. 26) – Waste Management and Water Usage (P. 26) – 2023 Performance (P. 27–28)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs	DESCRIPTION	PAGE NUMBER(S) AND/OR EXPLANATIONS
"Comply or explain" Provisions		
A. Environmental		
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change Response (P. 72-73)
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	2023 TCFD Report (P. 74-83)
B. Social		
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.	Talent Management and Development: – Talent Attraction and Retention (P. 43) – Diversity and Equal Opportunities (P. 45) – Human Rights (P. 45) – Employee Well-being (P. 47)
B1.1	Total workforce by gender, employment type (for example, full or part-time), age group and geographical region.	Talent Management and Development: – 2023 Performance (P. 48); Our Performance: – Workforce Data (P. 86-87)
B1.2	Employee turnover rate by gender, age group and geographical region.	Our Performance: – Workforce Data (P. 88)
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.	Talent Management and Development: – Occupational Health and Safety (P. 46) – 2023 Performance (P. 51–52)
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Year.	Our Performance: – Health and Safety (P. 89)
B2.2	Lost days due to work injury.	Our Performance: – Health and Safety (P. 89)
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Talent Management and Development: – Occupational Health and Safety (P. 46) – 2023 Performance (P. 51)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs	DESCRIPTION	PAGE NUMBER(S) AND/OR EXPLANATIONS
"Comply or explain" Provisions		
B. Social		
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Talent Management and Development: – Training and Development (P. 43–44) – 2023 Performance (P. 49)
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Our Performance: – Training and Development (P. 88)
B3.2	The average training hours completed per employee by gender and employee category.	Talent Management and Development: – 2023 Performance (P. 50); Our Performance: – Training and Development (P. 88)
B4 Labour Standards		
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 preventing child and forced labour.	Responsible Procurement (P. 29–30); Talent Management and Development: – Talent Attraction and Retention (P. 43) – Human Rights (P. 45)
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Management and Development: – Talent Attraction and Retention (P. 43)
B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Management and Development: – Talent Attraction and Retention (P. 43)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs	DESCRIPTION	PAGE NUMBER(S) AND/OR EXPLANATIONS
"Comply or explain" Provisions		
B. Social		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Responsible Procurement (P.29–30)
B5.1	Number of suppliers by geographical region.	Our Performance: – Suppliers (P. 90)
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.	Responsible Procurement (P.29–30)
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	2023 Highlights and Progress Update: – Sustainable Operations Highlights (P. 9); Responsible Procurement (P. 29–30)
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Responsible Procurement (P. 29–30)
B6 Product Responsibility		
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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Privacy and Cybersecurity (P. 39–40); Customer Relationship (P. 41–42)
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product recalls are not material to the Bank's operations
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Relationship: – Complaint Handling Procedures (P. 41) – 2023 Performance (P. 42); Our Performance: – Social Data (P. 89)
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual property rights are not material to the Bank's operations
B6.4	Description of quality assurance process and recall procedures.	Customer Relationship: – Product and Service Improvement (P. 41) – Selling Practices (P. 41)
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy and Cybersecurity (P. 39)

SUBJECT AREAS, ASPECTS, GENERAL DISCLOSURES AND KPIs	DESCRIPTION	PAGE NUMBER(S) AND/OR EXPLANATIONS
"Comply or explain" Provisions		
B. Social		
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.	Robust Governance (P. 31–38)
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.	2023 Highlights and Progress Update: – Culture Highlights (P. 10); Robust Governance: – 2023 Performance (P. 38); Our Performance: – Social Data (P. 89)
B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	Robust Governance: – Code of Conduct (P. 35) – Whistleblowing Policy (P. 35) – Customer Acceptance and Anti-Money Laundering ("AML") and Counter-Terrorist Financing ("CFT") Policy (P. 35–36) – Compliance and Reporting (P. 37)
B7.3	Description of anti-corruption training provided to directors and staff.	Robust Governance: – Customer Acceptance and Anti-Money Laundering ("AML") and Counter-Terrorist Financing ("CFT") Policy (P. 35–36) – 2023 Performance (P. 38)
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment (P. 54–64)
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	2023 Highlights and Progress Update: – Culture Highlights (P. 10); Community Investment (P. 54–64)
B8.2	Resources contributed (e.g. money or time) to the focus area.	2023 Highlights and Progress Update: – Culture Highlights (P. 10); Community Investment (P. 54–64); Our Performance: – Community Contributions (P. 90)

TCFD Content Index

PILLAR	ITEM	RECOMMENDED DISCLOSURE	PAGE NUMBER(S) AND/OR EXPLANATIONS
Governance	a	Describe the board's oversight of climate-related risks and opportunities.	Robust Governance: – Governance Structure (P. 32) – Risk Management (P. 33–34); 2023 TCFD Report: – Governance (P. 74–75)
	b	Describe management's role in assessing and managing climate-related risks and opportunities.	Robust Governance: – Governance Structure (P. 32) – Risk Management (P. 33–34); 2023 TCFD Report: – Governance (P. 74–75)
Strategy	a	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	2023 TCFD Report: – Strategy (P. 76–77)
	b	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	2023 TCFD Report: – Strategy (P. 76–77)
	c	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	2023 TCFD Report: – Strategy (P. 78) – Risk Management (P. 79–82)

PILLAR	ITEM	RECOMMENDED DISCLOSURE	PAGE NUMBER(S) AND/OR EXPLANATIONS
Risk Management	a	Describe the organisation's processes for identifying and assessing climate-related risks.	2023 TCFD Report: – Risk Management (P. 79–82) – Metrics and Targets (P. 82–83)
	b	Describe the organisation's processes for managing climate-related risks.	2023 TCFD Report: – Risk Management (P. 79–82) – Metrics and Targets (P. 82–83)
	c	Describe how the processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	2023 TCFD Report: – Risk Management (P. 79–82) – Metrics and Targets (P. 82–83)
Metrics and Targets	a	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with strategy and risk management process.	2023 TCFD Report: – Metrics and Targets (P. 82–83)
	b	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions and related risks.	2023 TCFD Report: – Metrics and Targets (P. 83); Our Performance: – Environmental Performance (P. 85)
	c	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	2023 TCFD Report: – Strategy (P. 76–78) – Metrics and Targets (P. 82–83); Our Performance: – Environmental Performance (P. 84–86)