

Sustainability Report

2023



FOR THE YEAR ENDED 31 DECEMBER 2023

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About This Report

This report focuses on ICBCS's sustainability strategy and how we are managing sustainability-related risks and opportunities, with a focus on climate-related risks and opportunities in 2023. Its content is informed by the required disclosures of The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, coupled with consideration given to the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and International Sustainability Standards Board's (ISSB) International Financial Reporting Standard's (IFRS) Sustainability Disclosure Standards S1 and S2.

See appendix for detail of regulation and standards met and considered.

Sustainability Overview

ICBCS is committed to enabling our clients to pursue our shared goals of social and economic development, and environmental sustainability. Our focus is balancing financial and holistic sustainability, while managing the complexities created from working within emerging markets and commodities; and meeting stakeholder expectations. During 2023 we have continued to embed and develop our sustainability strategy. We understand the importance of considering our impact and recognise the need for sustainable practices that drive long term economic growth. Our Journey Our strategy continues to evolve in support of the sustainability requirements of our stakeholders.

In 2020, with a focus on climate, we disclosed our first greenhouse gas emissions for the year ended 31 December 2020. With the release of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), we moved to a risk-based approach, with first disclosures in accordance with the TCFD framework in the year ended 31 December 2021. In 2023, we pivoted to follow a business led approach, supported by the release of International Financial Reporting Standard's (IFRS) Sustainability Disclosure Standards S1 and S2. This enabled us to drive progress, clarify strategic direction and keep up with developing regulations. This resulted in our integrated and proportionate sustainability strategy. While climate remains the key focus area of our disclosures in line with The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, we are working to assess other sustainability opportunities that are synergistic to our current business strategy as well as sustainability risks and the impact these could have on our business.

An integrated and proportionate sustainability strategy

To fulfil our Purpose...

Overall

To serve our clients globally as the **Commodities and Financial Markets** hub of ICBC

Sustainability

ICBCS is committed to enabling our clients to pursue our shared goals of social and economic development, and environmental sustainability

We must...

Maintain our **profitability** to build a sustainable business model

Manage our **exposures** prudently in consideration of current and future sustainability related risks

By...

Specialisation

Integration

Simplification

How...

Support client transition through sustainable opportunities whilst considering our risk appetite and economic returns

Commodities

Renewable structured finance deals
Lower carbon products

FIC

Continue our support of social and economic development of Emerging Markets

Underpinned by promoting, engaging and working in a responsible and sustainable way

- Work with counterparties and clients that are responsible and strive for longer term sustainability
- Engage industries we work in to help improve sustainability across the field
- Simplify and bring consistency to internal sustainability related processes and procedure

Through our people...

Commit to grow and maintain a **diverse, inclusive and sustainable organisation where our people thrive**
Supporting our local and franchise **communities**



A low-angle, upward-looking photograph of a classical building with large, fluted columns. The columns are made of light-colored stone or concrete. In the background, modern skyscrapers are visible against a clear blue sky. A semi-transparent white circular overlay is positioned in the lower right quadrant, containing the word "GOVERNANCE".

GOVERNANCE

We have implemented a robust governance framework surrounding sustainability, including climate.

The primary responsibility for risk management, legal and regulatory compliance and review and monitoring of sustainability-related opportunities resides with the Board. Through delegated authority from the Board, the Board Risk Management Committee (BRMC) and Board Audit Committee (BAC) provide independent and objective oversight of risk management and compliance. Please see appendix for a breakdown of our governance committees.



The sustainability steering committee is comprised of accountable executives across business units to ensure integrated oversight is achieved. Below is a table illustrating how sustainability is managed through these executives.

Accountable Executives

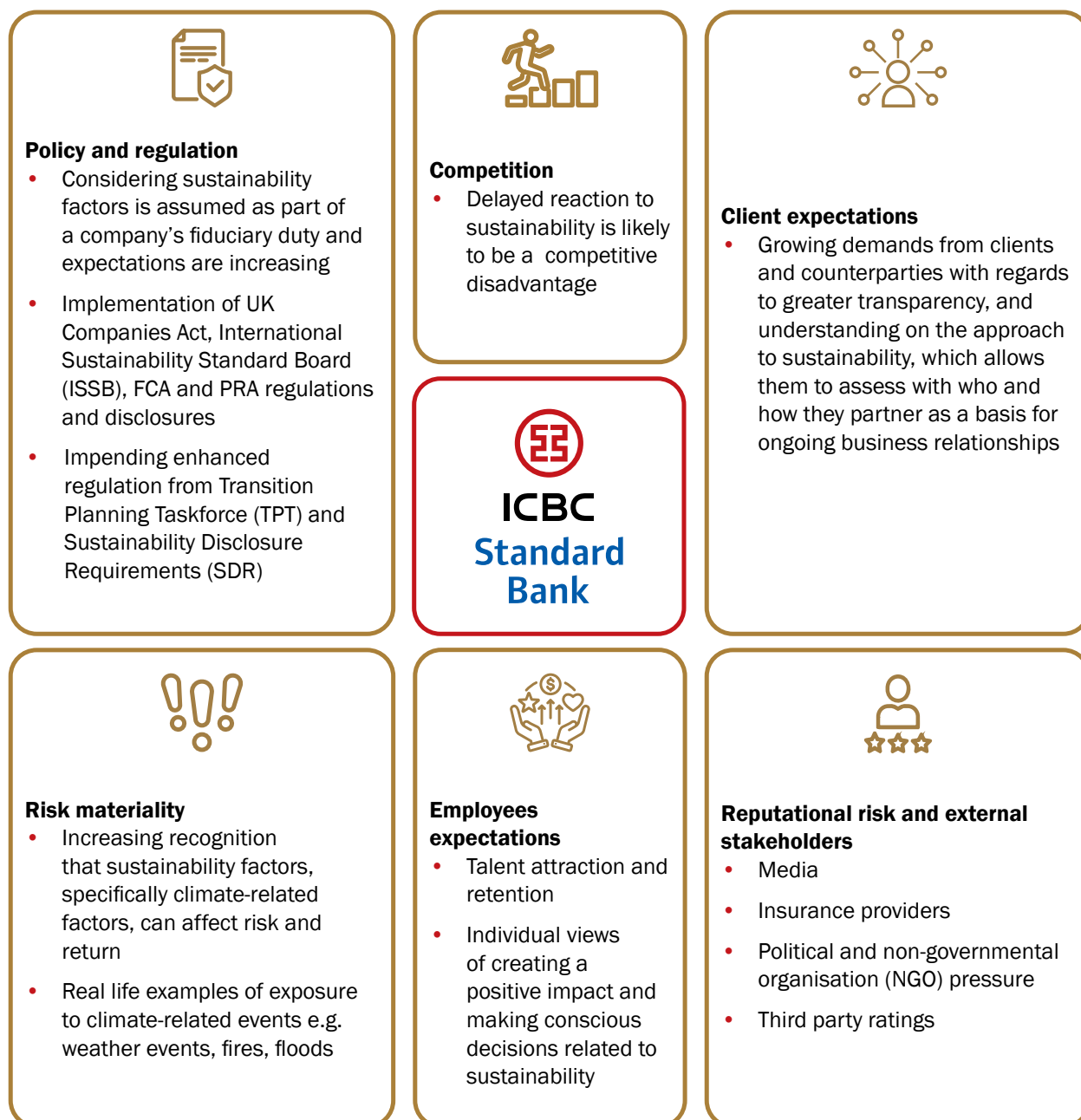
Role	Board Oversight	Oversight
Chief Executive Officer	ICBCS Board	Strategy and governance
Chief Financial Officer	Board Audit Committee	Accounting and disclosures
Chief Risk Officer	Board Risk Management Committee	Climate Risk Management
Head of Human Resources	Board Remuneration Committee	People and corporate social responsibility
Chief Compliance Office	ICBCS Board through strategy and governance	Controls and processes
Head of Commodities	ICBCS Board through strategy and governance	Business strategic risks and opportunities
Head of Client Monitoring Unit	ICBCS Board through strategy and governance	Client and supplier on-boarding and monitoring



BUSINESS STRATEGY

Sustainability stakeholder impact assessment

To find the balance between being financially and holistically sustainable and managing regulatory and stakeholder expectations we assessed the impact on our business. This will also provide a foundation for sustainability-related engagement plans.



Identifying and assessing sustainability-related risks and opportunities

Our sustainability strategy work is integrated into our overall strategy assessment which is performed annually during our planning cycle.

In identifying and assessing sustainability-related risks and opportunities, our business lines consider:

- Stakeholders' needs
- Market dynamics for primary sectors
- Geographies/countries in which we operate
- Regulatory requirements and government policies
- Exposures to physical and transition risks
- Credit risk appetite
- Social risks

The client on-boarding process has been enhanced to capture climate-related (alongside broader sustainability) considerations and has been applied in 2023 through our ESG client risk rating assessment.

Client and counterparty credit appetite are subject to climate-related evaluation through a scoring mechanism and consideration is given to the tenor of exposures.

Key considerations






Given the nature of our business, our direct sustainability impact is relatively low, yet we remain aware of the indirect impacts we have through our clients' activities. Our indirect impact will shift based on changes in client behaviour and the risks associated with those behaviours.

The pace of transition is considered to be the more immediate risk to our current strategy, geographic coverage and product offering. Acute physical risks also pose risks over shorter-term horizons.

Technological advances, and related supply chains, are moving forward rapidly, therefore balancing this with environmental or social impacts will be an on-going consideration when assessing both risks and opportunities.

We have classified certain activities that are more sensitive from a climate risk perspective into a prohibited list. We will not directly facilitate these activities with any of our current or prospective clients.

Prohibited List

Sector	Activity	Climate change impact
Mining 	Mountain top removal	The practice releases air pollutants such as nitrogen oxide and sulphur dioxide contributing to water and soil acidification. Deforestation also results in soil degradation, loss of carbon sinks and biodiversity loss
Energy 	Arctic circle drilling and exploration	Drilling and exploration in this region is particularly sensitive as temperatures in the region have warmed at more than twice the global average, sea-level rise and ocean warmth is accelerating causing biodiversity loss. Melting permafrost also releases trapped methane, the most potent heat trapping gas, into the atmosphere
Energy 	Tar sands drilling and exploration	The extraction process is more challenging than with conventional crude leading to higher emissions. Air pollution results from an increase in nitrogen oxide and sulphur oxide release
Agri-Commodities 	Deforestation and/or burning tropical rainforest in order to produce agri-commodities Production or trading in palm oil	The main impacts of deforestation include reduced biodiversity, loss of carbon sinks, release of emissions, disrupted water cycles and soil degradation
Fisheries 	Commercial drift net / bottom trawling fishing	Marine sediments are the largest pool of organic carbon on the planet therefore commercial bottom trawling causes a significant release of emissions contributing to ocean acidification and destruction of marine habitat

We also have a list of monitored activities which includes oil and gas (across the value chain), and coal (mining and power generation). With monitored activities, we will closely monitor our exposure to these types of activities, the technological advancements made within the activities, and may over time set limits on overall exposure to those activities.

Our balance sheet generally consists of assets with shorter (i.e. less than one-year) tenors. Our planning cycle is a four-year cycle. On this basis, we have assessed our sustainability-related risks and opportunities as short term (less than one year), medium term (between one year and four years) and long term (greater than four years).

Our progress

In 2023, we performed an assessment of our current business model in terms of the climate-related risks as well as any potential opportunities available to us. Our elevated climate risk credit exposure assessment indicated that our exposure to the oil and gas sector represents 57.9% (2022: 58.4%) of total credit exposure with an elevated climate risk (See table in metrics and targets section). Given this high exposure, as well as our expertise in the oil and gas sector, we decided to place our initial focus on transitional opportunities within this sector.

We have started work to establish baselines for our energy, metals and FIC businesses. This will enable us to review and monitor the shift in our portfolios on a quarterly basis with a focus on understanding their sustainability. We will assess the established baselines relevance over the next twelve months and, if deemed appropriate, these will form the basis for our future financial impact disclosure, metrics and targets.

The energy baseline measures client revenue generated by product line (oil, gas, renewables) and product offering (derivatives, physicals and structured trading). This includes anticipated pipeline revenue to view the current versus potential future impact.

Within our established metals business, our focus remains on responsible sourcing practices and assessing the opportunities and risks in metals classed as critical for the transition to a lower carbon economy.




In our FIC business, we assess social impact given that our focus is primarily on emerging markets. As such we have baselined this business through the lens of the client revenue generated by underlying country of risk. We rank the country's social impact using the United Nations (UN) Sustainable Development Goals (SDG) index.

Further to the above, we are establishing a sustainability deal framework to enable us to review our current and future lending portfolio against a set of criteria designed to assess, among other items, the environmental and social impact of our lending transactions.



Sustainability-related opportunities over short, medium and long term

The tables below indicate our current view and potential time horizons for identified opportunities:





Opportunity	 Renewable structured finance deals	 Financing of lower carbon products	 Supporting economic and social development in emerging markets
Description	<ul style="list-style-type: none"> • Seek to prioritise solar, wind, batteries, transmission infrastructure and other deals with strong sustainability credentials and within risk appetite 	<ul style="list-style-type: none"> • Build out of derivatives in lower carbon products • Increase in physical financing of lower carbon products • Build out more comprehensive Liquefied natural gas (LNG) /gas product suite • Complete and launch NYMEX gas options, National Balancing Point (NBP), EU physical gas 	<ul style="list-style-type: none"> • Create access to and liquidity in emerging markets by developing capital markets, international debt mobilisation and investment • Continued financing of emerging market sovereigns, state owned enterprises and financial institutions in support of the development
Time horizon	Short - long	Short - medium	Short - long
Actual/potential impacts on business model and strategy	<ul style="list-style-type: none"> • Increase the pipeline and diversity of energy product offerings • Develop expertise as sector evolves • Changes to geographical and customer portfolio 	<ul style="list-style-type: none"> • Facilitate client's transition to lower-carbon fuels 	<ul style="list-style-type: none"> • Potential increased coverage and exposure to emerging and developing regions and countries • Increase regional expertise capabilities



Climate-related risks identified over short, medium and long term

The tables below indicate our current view and potential time horizons over which the strategy could be impacted by climate-related risks:

Transition risks

Risk driver	Policy and Legal 	Market and Economic 	Technology 	Reputation 
Description	<ul style="list-style-type: none"> Increased pricing of GHG emissions Enhanced reporting obligations Regulation of products and services Exposure to litigation 	<ul style="list-style-type: none"> Changing customer behaviour Increased cost of materials Uncertain market signals 	<ul style="list-style-type: none"> Substitution of products and services with lower emissions options Unsuccessful investment in new technologies Costs to transition to lower emissions technology 	<ul style="list-style-type: none"> Consumer preference shifts Stigmatisation of sector Stakeholder concern
Time horizon	Short - long	Short - long	Short - long	Short - long
Actual/potential impacts on business model and strategy	<ul style="list-style-type: none"> Clients in high carbon industries such as oil and gas could see higher production costs and reduced demand for their products through emission pricing schemes, resulting in assets becoming stranded, impaired and written-off Such clients are also likely to be more exposed to climate-related litigation and scrutiny around their transition plans 	<ul style="list-style-type: none"> Market sentiment towards carbon intensive assets could change suddenly due to policies such as carbon taxes Sharp declines in clean energy costs could see consumers move away from carbon-intensive products and businesses Clients in high carbon industries could see sudden declines in price / valuation of their assets, increasing the probability of default (PD) or assets being stranded 	<ul style="list-style-type: none"> The market share and pricing power of fossil fuel companies may be reduced leading to falls in valuation and increase in PD Clients in industries with high energy consumption such as those in steel or chemical production will incur significant costs to transition to lower-carbon alternatives, impacting margins and profitability 	<ul style="list-style-type: none"> Clients or entire industries may suffer declines in revenues or higher costs to comply with regulation or may be seen as being too slow to transition their business to a low-carbon model These issues could threaten the viability of such clients or industries We could in-turn suffer reputational damage from association with such clients and/or industries
Risk types impacted	Credit, market, liquidity, operational	Credit, market, liquidity, operational	Credit, market, operational	Credit, market, liquidity, operational

Severity of change

Severity of change

Given our largely short-dated trading focus, we can be agile in mitigating some aspects of climate-related risks as well as capturing relevant opportunities as markets develop. In the medium to long term the requirement for energy related working capital solutions may decline. The impacts to business planning and strategy will be constantly evaluated as sustainability and climate-related events evolve.

Our scenario analysis capabilities have been enhanced during 2023, though remain largely focused on stressing the current portfolio positions. Under the current scenarios explored, we consider our business model and strategy resilient. Further resilience will be tested in future as our model matures. For further details on our scenario analysis refer to scenario analysis section.





The background of the image is a lush green forest with sunlight filtering through the leaves. Overlaid on this is a grid of white-outlined hexagons. Each hexagon contains a different icon related to climate and sustainability. Starting from the top and moving generally downwards and to the right, the icons are: a cloud with 'CO₂' and four downward arrows; a tree; a house with a leaf; a globe with a leaf; a recycling symbol; a lightbulb; a wind turbine; and a circular arrow symbol. To the left of the grid, there is an icon of an electric car with a charging plug. At the bottom left, a semi-transparent white circle contains the text 'CLIMATE RISK MANAGEMENT'.

CLIMATE RISK MANAGEMENT

Our approach is to treat climate-related risk as a cross-cutting risk that manifests through or impacts on other risk types such as credit, market and operational risk.

Climate-related risks can crystallise through either physical or transition risk events. The transmission channels from a climate-related risk that then manifest as a financial or non-financial risk are wide ranging, with an event potentially having a consequential impact on multiple risk types.

We define climate risk in our risk taxonomy in the following way:

Climate-related risks refer to risks (credit, market, operational, etc) posed by the exposure of the Bank or financial sector to physical and transition risks caused by or related to climate change.

Physical risks can be either

- **Acute** risks arising from climate and weather-related events such as hurricanes, floods, wildfires and droughts
- **Chronic** risks arising from longer term shifts in climate and weather patterns such as rising mean temperatures, rising sea levels and ocean acidification






Transition risks relate to financial risks which may result from the process of adjustment to a lower-carbon and more circular economy. A range of factors could influence this adjustment including:

- policy and regulation
- disruptive technology and business models
- shifting societal sentiment, and
- legal case law

The principal risk type frameworks and policies include specific climate-related considerations. A policy that covers climate-related risk (as a subset of environmental risk) was implemented in the early part of 2022 and is reviewed and updated annually. As a cross-cutting risk, our existing risk governance framework is utilised to manage climate-related risk. For example, if a counterparty is considered to be particularly vulnerable to climate-related risk through the credit assessment process, this will be factored in when determining the appropriate credit rating and appetite towards the counterparty.

Climate-related risk management

The table below illustrates how we are embedding climate-related risk into our existing risk framework.

Risk type	Definition	Climate impact
Credit risk 	Risk of loss arising out of failure of counterparties to meet their financial or contractual obligations when due.	<p>A counterparty could be exposed either through physical risks to its operations and assets or transition risk to its sector(s) of operation.</p> <p>Economic impacts may affect their cash flows, leading to a higher PD and/or loss given default (LGD).</p>
Market risk 	Risk associated with the change in market value, earnings (actual or effective) or future cash-flows of a standalone underlying financial instrument.	<p>Market value loss due to societal, legal and technological response to climate change resulting in investor perception of profitability and a consequent revaluation.</p> <p>Physical risk channels can also result in market value loss due to weather impacts particularly affecting commodities and property.</p>
Liquidity risk 	Risk that a firm, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due.	<p>Commodity prices could change significantly leading to margining.</p> <p>Depositors impacted by climate-related risks may withdraw funding to meet their cash flow needs.</p>
Operational risk 	Risk of loss suffered as a result of inadequacy of, or a failure in, internal processes, people and systems or from external events.	<p>Physical Risk increased through severe weather events affecting our own (or suppliers) operations and assets could lead to financial loss as assets are impacted or liabilities arise.</p> <p>Liability claims may increase from parties who have suffered climate-related losses and seek to recover those losses from those they deem responsible.</p>
Supplier risk 	Risk of a supplier failing such that the Group is impacted by no longer receiving the relevant service.	Suppliers, and their chains, could be impacted or disrupted as a result of climate-related events impacting their ability to provide the relevant services.

Progress in 2023

Reviewed and recommended enhancements to the climate scorecard, including linking to the client onboarding assessment.

Developing scenario analysis capabilities on the credit portfolio.

Future enhancements

Consideration of climate-related factors in rating models.

Additional stress testing and scenario analysis.

Due to the largely short-term trading book, the principal tool for identifying climate-related market risk is through stress testing.

Climate-related stress test implemented and run monthly alongside existing stress scenarios.

Additional stress scenarios including physical risks.

Based the idiosyncratic stress off a modified version of the BOE 2021 Climate Biennial Exploratory transition scenario.

Consideration of climate-related factors in internal stress scenario.

Climate-related factors to be considered where relevant in stress testing.

Continue to embed climate-related considerations in relevant processes such as the RCSA, New Products Process and physical commodities risk management (PCRA).

The PCRA function includes a modelled projection of certain perils such as flood risk on storage facilities as part of the onboarding assessment.

Climate-related factors to be considered where relevant in scenario analysis.

The supplier risk methodology includes climate-related considerations as part of a wider environmental risk consideration during the supplier onboarding process.

The information used to assess any climate-related risks in relation to suppliers has been enhanced to include new emissions data to inform the existing risk assessment.

The analysis of suppliers will move from a generally qualitative and model-based approach to a more quantitative method as new environmental data is published.

Scenario analysis

We are still in an early phase of quantifying climate scenario analysis and expect to continue to evolve our approach, in particular through modelling a cumulative impact of the scenarios over a specified time horizon. Given this, outputs are not currently being used to inform business decisioning.

We have used scenarios provided by Oxford Economics' Global Climate Service, enabling assessment of physical and transition risks over short, medium and long-term horizons.

Key scenario assumptions

Assumptions per Oxford Economics	Scenarios			
	Net Zero	Delayed Transition	Sustainable Development	Climate Catastrophe
Narrative	Net zero emissions are achieved through early policy action, technological advances and global coordination	Policies to limit global warming are taken relatively late, requiring stronger policy action	Policy burden falls mostly on advanced economies, countries with credible net zero pledges and those historically responsible for the largest share of global emissions (i.e. China and Russia)	Governments fail to meet their policy pledges and the concentration of greenhouse gases in the atmosphere intensifies
Transition begins	2023 Q4	2030 Q1	2023 Q4	2023 Q4
Nature of transition	Smooth	Disruptive	Uncoordinated	Incomplete
Carbon price (2050, World mean, \$/t)	726	541	649	54
Carbon tax revenue recycling	50%	50%	50%	-
Cumulative green energy investment (\$ trn)	129	129	118	43
Oil price (2050 \$/b)	35.6	45.7	45.6	136
Innovation	Medium	Medium	Medium	Low
Carbon capture	Medium	Medium	Low	None
Physical risk	Low	Low	Low	Extreme
Global warming (2050, mean)	1.5°C	1.7°C	1.7°C	2.2°C

Source: Oxford Economics Q4 2023 Global Climate Service

Conducting climate scenario analysis raises several challenges. The time horizons being assessed are in excess of normal business planning horizons, introducing a level of uncertainty. Data gaps remain a challenge and necessitates a greater use of proxies and assumptions. The need to be forward-looking with climate scenario analysis also means a probability distribution from past shocks is not possible.

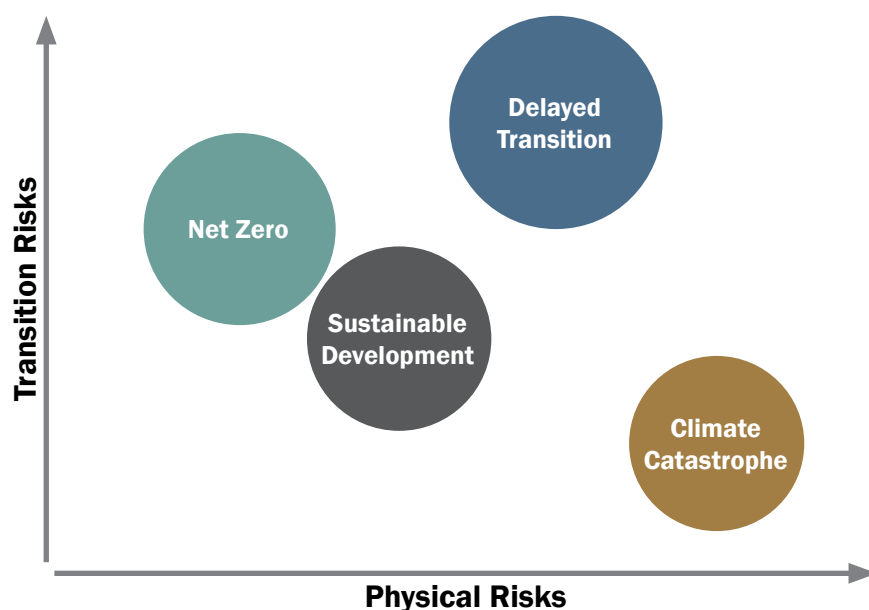
In order to assess the impact of climate change, we leverage predictive capabilities delivered by Oxford Economics (OE). Historically being one of the leaders in economic forecasting, Oxford Economics translates widely accepted climate scenario narratives into a set of macroeconomic projections, out of which we select the variables which are most relevant to our portfolio. Once we finalise a pool of risk drivers, we implement climate scenario analysis within our internally maintained economic capital calculation framework. This allows us to align industry accepted views on climate pathways with our internal assessment of portfolio risk.

The outcome of such an exercise produces the entire distribution of possible losses conditional on pre-specified scenarios, a pool of risk drivers and the magnitudes of their shocks, over specific one-year time horizons for each scenario i.e. year 1, 5, 10, etc. The flexibility of this approach allows calculation of a wide variety of financial KPIs. However, Expected Loss ("EL"), is taken as the most relevant measure of future riskiness and severity of each scenario.

We have conducted a scenario analysis exercise based on a static balance sheet using the December 2023 portfolio. The magnitude of shocks was taken from the years 2024, 2026, 2028, 2032, 2038 and 2050 of the four OE scenarios, which cover a range of different policy and regulatory pathways, temperature outcomes and time horizons.

The size of the bubble below indicates the peak EL across all of the years, with the Delayed Transition scenario producing the largest loss. Climate Catastrophe produced the lowest peak loss though as a high physical risk scenario, damages would be expected to accelerate over time and outside of the periods assessed.

Peak Annual Expected Loss by Climate Scenario





OUR PEOPLE

Fostering Equality, Diversity and Inclusion

As a firm with global stakeholders, we celebrate our heritage, experiences and cultural diversity through our international workforce.

Our Equality, Diversity and Inclusion (ED&I) vision statement: “Be Yourself, Succeed Together” and our core value of Openness underpins our desire for a culture which is open and transparent and values difference, therefore enabling everyone to consistently achieve whilst being themselves.

We are committed to promoting an inclusive culture within the organisation and aim to ensure that all individuals can participate and “speak-up” to drive sustainable outcomes. We support this philosophy through structured feedback channels available to all employees, promoting a culture of openness.

Our ED&I strategy focuses on:



Supporting Development and our Employee Value Proposition

Our Learning and Development Framework aligns to our values and behaviours with a key focus on how we upskill our people for the future and offer compelling learning opportunities for our employees.

Complimentary to our ED&I strategy, we ran our third consecutive emerging leader programme for women, a key pillar in a comprehensive leadership and management training curriculum offering formal programmes for all managers, directors and newly appointed managing directors.

In addition, the Bank recognises that professional qualifications can be important in developing the careers of employees and supports certification in common industry bodies such as the Chartered Institute for Securities and Investment (CISI), Chartered Financial Analyst Institute (CFA) and the International Compliance Association (ICA). We also support employees looking to study for a professional certification under the UK Government’s Apprenticeship Scheme.

Regular mandatory training in regulatory standards supports our fitness and propriety certification and staff also have access to a digital library of 16,000+ courses covering a range of technical and soft skills training topics. Finally, we partner with external partners for upskilling in current business and sustainability topics and ran a series of CEO-sponsored master classes for senior executives in 2023 covering strategic leadership topics.

Attracting and Retaining Talent

Whilst we still see competition for key financial services and technology skills, 2023 saw talent acquisition markets settle for the first time post pandemic and the Bank saw voluntary turnover rates for staff reduce to a rolling average of 8.4% across each of the key locations we operate in. A refreshed set of employee value proposition messages has enabled a clear articulation of our offer and a reduction of time to hire rates. Equally, investments in retention strategies including support for hybrid working, a competitive employee benefits proposition, staff recognition processes, inflationary increases in underlying fixed pay rates and a pay for performance incentive strategy have all contributed positively to stability in our operating model.

Our Corporate Responsibility

Promoting Social Responsibility

Our Corporate Social Responsibility (CSR) commitment endeavours to create a corporate conscience that extends throughout our global footprint.

We have launched a dual-focus approach to our charity partnerships, with a Corporate Partnership managed out of London, alongside staff-elected charities in each of our regions. Fundraising proceeds are allocated across partnerships, spreading our impact across local communities and the wider societies in which we operate. We now have strategic partnerships with the Adopt-a-School Foundation in South Africa and regional partnerships with Shooting Star Children's Hospices in London, The Hope programme in New York and the Singapore Heart Foundation.

In 2023, we developed and implemented a Volunteering Policy for staff to commit a paid day of their time to a charity of their choice within policy and guidance.

Our participation in a Business Insights Programme is now in its fourth year and we will once again host a group of London scholars on a business project and leadership presentation.

Tax

We adopt a prudent approach in all tax matters, following the principles outlined in our publicly available Tax Strategy and adhering to HMRC's Code of Practice on Taxation for Banks. Our Tax Strategy is owned by the Board and reviewed annually.

We pay the required tax, and fulfil our filing obligations in accordance with local requirements, across all of the jurisdictions in which we operate. Our total tax contribution for 2023 was US\$132.5 million (2022: US\$134.0 million) of which US\$67.0 million (2022: US\$78.2 million) was borne by the Group with the remainder being primarily payroll taxes collected, by the Group, on behalf of our employees. The only exception is Singapore where employees self-assess and pay their own income taxes to the local authority.

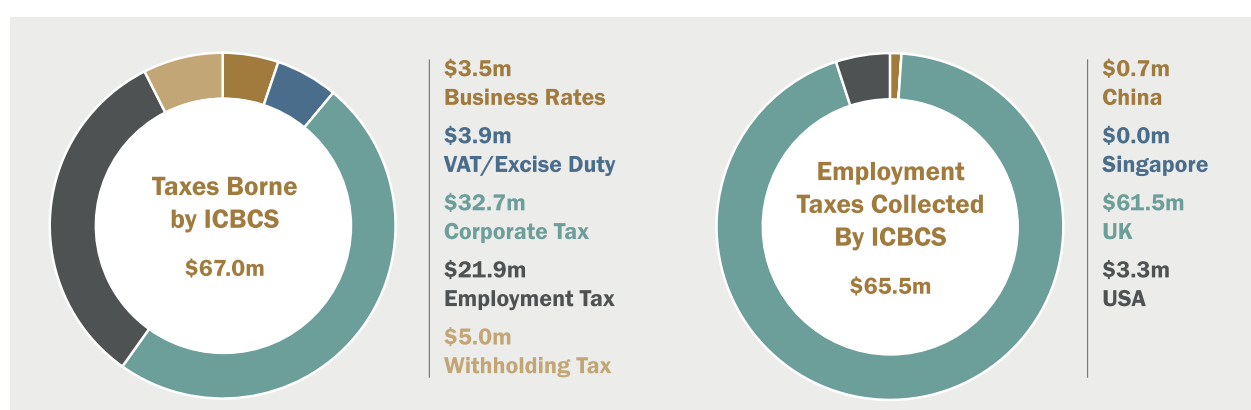
We are committed to:

- Accurate and timely tax compliance and tax risk management
- A principled approach towards legitimate and responsible tax planning
- A belief in open, transparent and honest tax authority engagement
- A resolve to co-operate fully with all anti-tax evasion and tax transparency initiatives

This approach is aligned with our values of Integrity, Openness, Prudence, Innovation and Excellence.

Our organisation has zero tolerance for tax evasion and will implement disciplinary procedures for any staff that do not uphold good practice in this area. We have successfully implemented a reporting regime for FATCA / CRS and a comprehensive control framework in respect of the UK Corporate Criminal Offence for failure to prevent facilitation of tax evasion. In order to help identify malpractice, we operate internally a confidential Whistleblowing policy, which includes all tax matters.

Principal governance of tax is through the Executive Committee feeding into the Board sub-committees and ultimately, to the Board of Directors.



[illegible]

We remain committed to moving towards a lower carbon economy. Given the complexity and relative trade-offs in our markets and products, we are currently focused on baselining the respective businesses from which we will monitor progress and look to set targets in the future.

We have identified the following sectors with elevated climate risk (as noted in the table below) as a metric and continue to monitor our exposure to these sectors.

Credit exposure at year end to sectors with elevated climate risk

Sector	2023 (\$m)	2022 (\$m)	YoY % change
Agriculture	47.6	7.6	>100%
Airlines	17.8	7.2	>100%
Automobiles	181.0	157.8	14.7%
Chemicals	55.6	51.6	7.8%
Coal ¹	23.0	39.5	-41.8%
Manufacturing ²	33.2	31.9	4.1%
Metals ³	358.9	200.1	79.4%
Mining	175.2	120.7	45.2%
Oil and Gas ⁴	1,212.9	953.5	27.2%
Power Generation ⁵	73.3	63.7	15.1%
Elevated climate risk exposures as % of total exposures	26.6%	26.1%	0.5%

Notes:

Credit exposure represents lending and derivative (measured as potential future exposure at 95% confidence interval) exposure.

¹ Represents exposure to power generation from coal-fired power plants

² Represents exposure to manufacturers other than automobiles and metals

³ Represents exposure to manufacturing of metals including smelting. It does not include metal traders

⁴ Represents exposure across the value chain i.e. upstream, midstream and downstream

⁵ Represents exposure to all other forms of power generation excluding coal

In accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and relevant regulatory requirements, we disclose our Streamlined Energy and Carbon Reporting below.

Streamlined Energy and Carbon Reporting

We monitor our energy use and proactively identify ways to generate energy efficiencies. This includes complying with the UK Government's policy on Streamlined Energy and Carbon Reporting.

The 2023 footprint has been produced in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol), and we use the operational control approach to report operational emissions. This means we account for 100% of emissions from operations over which we have operational control (ICBCS and its subsidiaries).

The below summary reflects the emissions across our UK operations year on year and in addition our global operations emissions for 2023.

Summary

	2023 UK	2023 Global	2022 UK
Scope 1 emissions¹ / tCO2e	71	95	-
Scope 2 emissions, location-based / tCO2e	367	734	450
Scope 3 emissions / tCO2e	2370	3339	231
Total gross emissions /tCO2e	2808	4168	681
Energy consumption²: emissions / kWh	2,121,184	3,167,668	2,326,015
Intensity ratio³: tCO2e / Average FTE	3.9549	4.9384	0.9927

¹ tCO2e – tonnes of carbon dioxide equivalent

² Total Scope 1 and Scope 2 emissions per kilowatt-hour (kWh)

³ Average full-time equivalent (FTE) headcount

Scope 1 – All direct emissions from sources that are owned or controlled by ICBCS, for example, natural gas from boilers and fugitive emissions (gases accidentally released into the atmosphere) from air conditioning units.

Scope 2 – Indirect emissions from electricity purchased and used by the organisation. Emissions are created during the generation of purchased energy, for example, purchased electricity and district heating. This is calculated using an average emissions intensity for the grids on which the energy consumption occurs.

Scope 3 – All other indirect emissions from non-owned or controlled sources, including business travel (air, rail, grey fleet, and rental cars) and upstream leased assets (data centres). This does not include the emissions that we finance.

Our report is compiled by a third party.

Due to our improved processes and guidance in 2023, we have made the following amendments to our emissions reporting and adjusted 2022, where the data was available:

- Sourced the data for scope 1 emissions
- Changed the classification of our data centres to upstream leased assets (scope 3) from direct emissions (scope 2) in 2022. Emissions for the UK data centre amounted to 230 tCO2e in both 2023 and 2022. This further resulted in the data centre energy consumption being excluded from total energy consumption
- Business travel changed from car travel only in 2022 to include air travel, taxis, rail transport and hotels in 2023. This amounted to 2,140 tCO2e (2022: 1 tCO2e) of scope 3 emissions
- Changed the intensity ratio from square metres in 2022 to average FTE in 2023 to align to market practice

We obtained activity data from the respective landlords and service providers. For business travel, we used the distance-based method (kilometres travelled) and cabin class where applicable. We converted the UK activity data into tonnes of carbon dioxide equivalents (tCO2e) by multiplying by external emissions factors obtained from the Department for Energy Security and Net Zero and Department for Business, Energy and Industrial Strategy – GHG Conversion Factors. For the global conversions we used the environmental guidelines of the applicable country.

The intensity metric we have chosen to use is tonnes CO2e per average FTE headcount. For the UK operations we have used the UK average FTE of 710 (2022: 686). This gives a total intensity ratio of 3.9549 tCO2e/FTE (2022:0.9927 tCO2e/FTE). For global operations we have used an average FTE of 844.

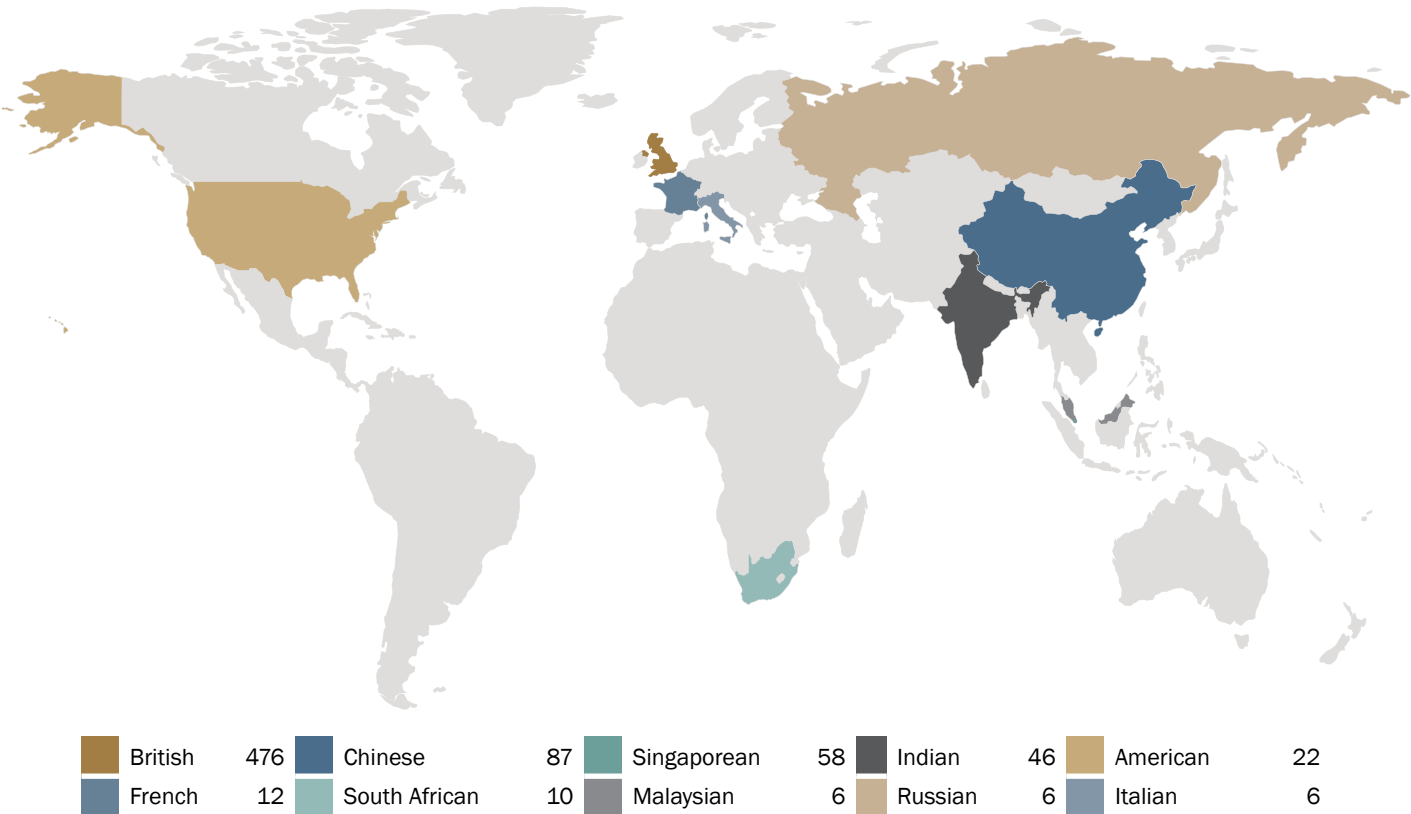
We are yet to commence our energy saving initiatives which are expected to materialise as part of our process of refurbishing our UK office following the extension of our lease by a further 10 years. Throughout the refurbishment planning process we are taking energy saving considerations into account and expect to realise these on completion.

Whilst our sustainability report focuses on climate-related disclosures, as an organisation, we have taken the more holistic view of sustainability which includes monitoring our ED&I related metrics as disclosed below.

ED&I Related metrics

There are over 44 nationalities represented in the Bank across all three regions that we operate in. We have noted an increasing spread in our age demographic leading to a multigenerational workforce.

Our top ten nationalities are represented in the graph below, with our highest representation being British followed by Chinese.



Age Cohort split by gender and grade

Overall 34% of our permanent and fixed term employees are female. 17% at Director level and above and 33% at senior manager level.

The majority of our employees fall within the 31-50 age bracket with the largest differential between genders in the over 50 age bracket.

Level	Age	Male	Female	Total	Male %	Female %
Director, Managing Director and Executive Managing Director	Under 30	0	0	0	0%	0%
	31-50	114	26	140	81%	19%
	50+	52	9	61	85%	15%
Senior Manager	Under 30	3	2	5	60%	40%
	31-50	88	51	139	63%	37%
	50+	29	6	35	83%	17%
Manager	Under 30	10	4	14	71%	29%
	31-50	80	57	137	58%	42%
	50+	20	5	25	80%	20%
Staff	Under 30	57	53	110	52%	48%
	31-50	65	51	116	56%	44%
	50+	18	14	32	56%	44%
Total	Under 30	70	59	129	54%	46%
	31-50	347	185	532	65%	35%
	50+	119	34	153	78%	22%
		536	278	814¹	66%	34%

¹ Our demographic data is based on permanent and fixed term employees as at 31 December 2023





APPENDICES

Appendix 1

Regulatory Landscape

Governing Body	Regulation/ Recommendation	Action
Task Force on Climate-related Financial Disclosures (TCFD):	TCFD Recommendations	<p>The TCFD is a global organization formed to develop a set of recommended climate-related disclosures that companies and financial institutions can use to better inform investors, shareholders and the public of their climate-related financial risks</p> <p>The TCFD recommends climate-related disclosures related to governance, strategy, risk management and metrics and targets</p> <p>At COP28, the TCFD was officially disbanded, with the ISSB taking over the TCFD's responsibilities for corporate disclosure of climate targets, risks and opportunities</p>
United Kingdom (UK) Legislation:	<p>The Companies (Directors' Report) and Limited Liability Partnerships (Streamlined Energy and Carbon Report) Regulations 2018 (SECR)</p> <p>The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022</p>	<p>SECR requires UK energy use disclosures in the form of Greenhouse Gas (GHG) Emissions for electricity consumption, gas combustions and fuel consumption</p> <p>The Companies Act requires non-financial disclosures in the strategic report to include sustainability disclosures with a focus on climate-related disclosures related to governance, risk management, strategy, resilience and metrics and targets</p> <p>The purpose of these disclosures is to help support investment decisions as we move towards a lower carbon economy</p>
Prudential Regulation Authority (PRA):	<p>PRA Supervisory Statement SS3/19 – Enhancing banks' and insurers' approaches to managing the financial risks from climate change</p>	<p>The PRA expects firms to develop and embed a strategic approach to managing the financial risks from climate change</p> <p>The PRA expects firms to consider engaging with the TCFD framework and other initiatives in developing their approach to climate-related financial disclosures</p>
International Sustainability Standards Board (ISSB):	<p>IFRS S1 – General requirements for disclosure of sustainability-related financial information</p> <p>IFRS S2 - Climate-related disclosures</p>	<p>The aim of the ISSB is to create a consistent global baseline and methodology for investor focused sustainability reporting that local jurisdictions can build upon</p> <p>The Standards bring together and will replace existing frameworks and standards, including the TCFD recommendations</p> <p>In June 2023 ISSB issued its first two sustainability reporting standards; S1 and S2. Further thematic reporting guidance will be issued over time</p> <p>The standards are yet to be formally adopted within UK regulation</p>

Governing Body	Regulation/ Recommendation	Action
Financial Conduct Authority (FCA):	Sustainability Disclosure Requirements (SDR)	<p>Sustainability Disclosure Requirements (SDR) is the framework by which various standards become regulation. The FCA are currently consulting on ISSB, TPT and D&I standards to determine how they will incorporate them into SDR</p> <p>The FCA intend to release SDR standards by July 2024</p>
Transition Plan Taskforce (TPT):	Disclosure Framework	<p>The Transition Plan Taskforce (TPT) was created to develop a 'gold standard' transition plan framework and guidance building on ISSB and TCFD</p> <p>Aiming to enable robust, consistent and action orientated transition plans as well as informed recommendations for UK's regulatory requirements</p> <p>The final disclosure framework was released 9 October 2023 with specific sector guidance anticipated in Q1 2024</p>
Task Force on Nature-related Financial Disclosures (TNFD):	TNFD Recommendations	<p>The TNFD's recommendations are designed to help organisations to report and act on evolving nature-related issues with the ultimate aim of supporting a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes</p> <p>The TNFD recommends nature-related disclosures related to governance, strategy, risk and impact management and metrics and targets</p> <p>ICBCS is monitoring the development of these recommendations at this stage</p>

Appendix 2

Governance Committees

Governing Body	Key Responsibilities	Frequency
ICBCS Board	<ul style="list-style-type: none"> Setting strategic direction and risk appetite for sustainability including climate change Independent oversight ensuring sustainability strategy is implemented, a robust governance process is followed and any material sustainability (including climate change) risk or disclosure issues escalated by BRMC or BAC are addressed Agree and monitor sustainability-related targets and metrics 	Quarterly
Board Remuneration Committee	<ul style="list-style-type: none"> Independent oversight of policies and practices related to people and corporate social responsibility Agree and monitor specific targets and metrics related to equality, diversity and inclusion 	Quarterly
Board Audit Committee	<ul style="list-style-type: none"> Independent oversight of sustainability-related accounting and disclosures and escalation of material issues to Board Review and approve disclosures as part of annual report process 	Quarterly
Board Risk Management Committee	<ul style="list-style-type: none"> Independent oversight by receiving updates on environmental (including climate change) risk issues and trends from the risk management committee and escalation of material issues to Board Review outputs of scenario analysis or stress testing and the impact on the business model Review progress towards meeting regulatory expectations 	Quarterly
Executive Committee	<ul style="list-style-type: none"> Formulate the sustainability strategy and targets/metrics and approval of risk appetite ahead of Board Integrate Board views into sustainability strategy and ensure appropriate progress is made Regularly monitor sustainability targets and metrics 	Quarterly
Risk Management Committee	<ul style="list-style-type: none"> Reviewing the environmental risk appetite and submit for approval by the Executive Committee Oversight of overall risks (including climate change) and monitor adherence to agreed risk appetite by receiving reports on the development of programmes and any risks identified through our current risk management processes. (See climate-related risk management table in the risk management section) Review the climate change scenarios and stress tests 	Monthly
Sustainability Steering Committee	<ul style="list-style-type: none"> Central co-ordination from CEO office across all sustainability initiatives including climate change Monitor and review the development and implementation of agreed sustainability-related opportunities and climate-related risks mitigation Annual review of sustainability-related (including climate-related) risks that could impact the current business model / strategy and sustainability-related (including climate-related) opportunities identified 	Monthly



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