

**ICICI Bank Limited
Hong Kong Branch-
Climate Risk Management**

June 2024

About the Report

The success of a business is today measured not only on the basis of the financial performance of the company, but also on non-financial aspects like the environmental impact, value accrued to customers, shareholders and society and related governance practices. Growing the business responsibly and sustainably, while being cognizant of the impact on society and the environment has become a key focus area for stakeholders, investors, credit rating agencies and specialised ESG rating providers. Regulators have increased their focus on ESG and climate change risk management and have significantly expanded disclosure requirements relating to ESG and climate related financial risk management.

ICICI Bank (the Bank) has taken several steps to strengthen its ESG practices including adopting a Board approved ESG policy (available on <https://www.icicibank.com/about-us/other-policies>), adopting policies and frameworks that emphasise on environmental and social factors in business and own operations, and enhancing the disclosures on ESG for the Bank through various mediums like reports, website and participation in discussion forums, internally as well as externally. The Bank has been publishing an ESG report annually since FY2020. The Bank has mapped parameters of the Global Reporting Initiatives (GRI) framework and Task Force on Climate-related Financial Disclosures (TCFD) in the ESG report for FY2023 and aims to continue enhancing its ESG-related disclosures.

The Bank is also cognizant of emerging risks like the climate related financial risks. The Bank has been participating at various industry and regulatory forums for providing collaborative inputs on climate policy-making for the Indian banking industry. The Bank is cognizant of transition from fossil fuel-based energy to renewable sources and will participate in business opportunities in this transition based on selection of counterparty and appropriate risk-return in accordance with the Enterprise Risk Management framework.

In accordance with the recommendations and guidance set out in the Hong Kong Monetary Authority's (HKMA) Supervisory Policy Manual (SPM) GS-1 issued on December 31, 2021, the Bank's Hong Kong Branch (ICICIHK), has prepared these disclosures as may be applicable and proportionate to the business model, strategy and size of its operations in Hong Kong.

A. Governance

At the Bank level, the Risk Committee of the Board has been assigned responsibility for oversight of the overall ESG related activities. It monitors and provides guidance on the Bank's action plan for ESG related initiatives, including climate risk management, regulatory compliance, external reporting and stakeholder feedback. At an executive level, the Bank has established an ESG Steering Committee to have oversight on the Bank's identification and implementation of ESG related initiatives and is chaired by the Group Chief Financial Officer (CFO). The ESG Steering Committee shall report to the Risk Committee twice a year on all the ESG related initiatives that are under implementation.

At ICICIHK, the Senior Management Forum (SMF) has oversight on ESG related matters including climate risk, and is responsible for ensuring that climate risk, where material, is addressed in the risk management framework, including the setting of qualitative and quantitative measures, as appropriate. The SMF deliberates on the overall branch operation related matters including branch strategy.

Climate Risk Working Group (CRWG):

A CRWG has been constituted at ICICIHK for monitoring developments concerning climate risk, including tracking the latest regulatory guidance/ expectations. The CRWG is also responsible for regularly monitoring the implementation of ICICIHK's action plan for climate risk related strategies.

The risk management group at ICICIHK is responsible for the formulation and review of climate risk related frameworks in consultation with the CRWG.

B. Strategy

The Bank has developed a Framework for Sustainable Financing, which provides guidance on eligibility criteria for sustainable/ sustainability linked lending, guidance on the assessment of facilities, monitoring and reporting of such facilities.

ICICIHK's strategy from climate risk perspective is aligned with the Bank's strategy. Currently, ICICIHK's strategy for the management of climate risk is largely focused on climate risk assessment, sector specific considerations for sectors with elevated climate risk, setting of risk appetite for high climate risk borrowers, and making relevant disclosures.

Sector specific guidance has been documented for sectors with elevated climate risk for incremental funding of any greenfield projects in industries with elevated risk from a climate risk perspective.

ICICIHK internally reports its exposure to such sectors in the corporate portfolio and aims to further enhance its disclosure as more data becomes available. ICICIHK shall continue to participate in lending opportunities where funding structures are robust and such risks are well assessed, keeping in mind the Bank's fundamental principle of return of capital.

C. Risk Management

The Bank's strategic commitment to sustainable development is an integral part of its approach to risk management. Climate risk is identified, assessed, managed and monitored through the Climate Risk Management Framework. The framework is subject to annual review.

The Bank has a Social and Environmental Management Framework (SEMF) for screening new project finance proposals. The framework stipulates due diligence on environmental and social parameters for projects above specific thresholds. It has an exclusion list of industries not permitted for financing and list of highly polluting sectors that require additional due diligence while taking financing decisions.

ICICIHK has developed environmental risk assessment tools for the evaluation of borrowers and a framework for the assessment of climate-related physical and transition risks that a borrower could be exposed to. ICICIHK carries out risk assessment at borrower level based on risk, governance, metrics and sustainable financing parameters. The data for the assessment is collected through customer engagement, sustainability reports and other external sources. A response is sought from key borrowers that helps in profiling the borrowers based on their environmental-related risks and maturity in terms of policies and processes deployed to address these risks. The data gathered is then evaluated to understand the exposure of ICICIHK to climate risk, likely concentration risks and determining the next steps.

ICICIHK has also developed an internal model for assigning an environmental risk grading to the borrowers based on the responses obtained. On a case-to-case basis, the relationship managers engage with the borrowers to discuss the environmental risk profile and take suitable steps as may be considered necessary.

With regard to own operations, ICICIHK has only one branch in Hong Kong. It has been leased at one of the reputed commercial buildings in Hong Kong- International Commerce Centre (ICC), which houses exclusive grade-A offices. ICC has reduced electricity consumption by over 20 million kWh between 2012 and 2022, equivalent to 6,000 families' annual power consumption. The long-term plan includes a 10-year electricity reduction target of 13% by 2029/30 against the base year of 2019/20 (source: Royal Institution of Chartered Surveyors (RICS)). ICC has received many accolades in the last few years, some of which are listed below:

- First building in Hong Kong to receive the WELL Health-Safety Rating for Facility Operations (2021)
- First building in Hong Kong to be certified by BREEAM (Building Research Establishment Environmental Assessment Method). Received Outstanding rating (September 2020)
- Low-carbon Office Operation Program (LOOP)- Gold Award- presented by WWF Hong Kong (2020)
- Winner of "Project of the Year (Commercial/Industrial Building)" in "CIBSE Hong Kong Awards 2023" organised by the Chartered Institution of Building Services Engineers (CIBSE) for outstanding achievements in optimizing the energy saving efficiency and performance in the building by utilizing useful and sustainable solutions

ICICIHK has been providing training to employees to create an understanding of ESG and climate risks and to build an awareness to better appreciate the potential risks and opportunities that may arise as efforts are getting aligned towards transitioning to a low-carbon economy.

D. Metrics and Targets

ICICIHK is not engaged in any manufacturing activity and the overall energy consumption is not considered significant to be disclosed given the size of current operations.

ICICIHK has put in place a tolerance threshold (as a percentage of the total corporate portfolio) for borrowers with high-risk exposure from a climate risk perspective. At the portfolio level, the risk management group at ICICIHK is responsible for analysing the exposures and reporting to the SMF on a quarterly basis.

As climate risk becomes increasingly mainstream, the quality and availability of data will continue to improve, which will assist in more accurate and insightful assessment outcomes in the future.

In recognition of the common industry challenges associated with climate risk assessment such as data availability, ICICIHK will continue to work with stakeholders like regulators, industry associations, consultants, climate specialists etc. to progress collectively to a more robust approach as methodologies and tools evolve and mature.