

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

## **About the Report**

ICICI Bank Limited (the Bank), as a responsible corporate, is committed to building a sustainable future. It is focused on delivering on its Environmental, Social and Governance (ESG) agenda through targeted initiatives.

The ESG philosophy of the Bank aims at adopting sustainable business practices that ensure the long-term success of the organisation and have a positive impact on the environment and society. The Bank endeavours to promote long-term sustainable growth in the economy through business initiatives and responsible corporate citizenship.

At the Bank, an ESG Policy has been approved by the Board of Directors and is available on its website. The link is available [here](#). The Bank has been publishing an ESG report annually since FY2019. The Bank has mapped the Global Reporting Initiatives (GRI) framework in the ESG report for FY2022 and aims to continue enhancing its ESG-related disclosures.

The Bank is cognisant of the uncertainties from climate change and its impact on the economy and financial systems. The Board of the Bank has acknowledged the need to address the impact of climate change risks and is committed to aligning its efforts with India's commitments to transitioning to a low-carbon economy.

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 (ICICLHK), 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. The Steering Committee is chaired by the Group Chief Financial Officer (CFO).

At ICICLHK, 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**

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 shall internally report 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.

ICICIHK has recently taken a step further in the process of incorporating climate risk aspects as part of the credit evaluation process. 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 an Environmental Risk Questionnaire (ERQ) which comprises questions from risk, governance, metrics and sustainable financing perspectives. The data for the questionnaire is being 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 ICIClHK to climate risk, likely concentration risks and determining the next steps.

ICIClHK has also developed an internal model for assigning an environmental risk grading to the borrowers based on the responses obtained from the questionnaire. 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, ICIClHK 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 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)

ICIClHK has been providing training to employees to create an understanding of issues of ESG and climate risks, and an awareness to better appreciate the potential risks and opportunities that are experienced as the efforts are aligned towards transitioning to a low-carbon economy.

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. The Bank has also 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.

#### **D. Metrics and Targets**

ICIClHK 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.

ICIClHK 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 ICIClHK 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.