

# 2025 Public Disclosure on Climate Risk Management



**中国工商银行 (加拿大)**

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (CANADA)

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# Introduction

Industrial and Commercial Bank of China (Canada) ("the Bank" or "ICBK") is a Canadian chartered bank that provides retail and corporate banking services. The Bank is 80% owned by Industrial and Commercial Bank of China with the Bank of East Asia owning the other 20%, and operates a network of six branches, covering four major immigration cities in four provinces in Canada, including the Greater Toronto Area (GTA) in Ontario, Richmond in B.C., Calgary in Alberta, and Montreal in Quebec. The range of corporate and retail banking services includes deposits, loans, settlement remittances, trade finance, foreign exchange trading, funds clearing, Chinese Renminbi (RMB) cross-border settlement, cash management, electronic banking and investment and financing advisory services.

ICBK is dedicated to ensuring financial safety and security, while adopting a stringent compliance and sound risk management approach, and actively monitoring potential risk factors. To comply with the Office of the Superintendent for Financial Institutions (OSFI)'s B-15 climate risk management guideline, the first edition of the Bank's Public Disclosure on Climate Risk Management is published for the fiscal year ending December 31, 2025.

# Governance

ICBK leverages the existing risk governance structure, in alignment with its broader Enterprise Risk Management Framework (ERMF), to manage climate risk. Figure 1 illustrates key roles involved in the management of climate risk at the Board and Management level. ICBK's risk management governance structures adhere to the three lines of defense model.

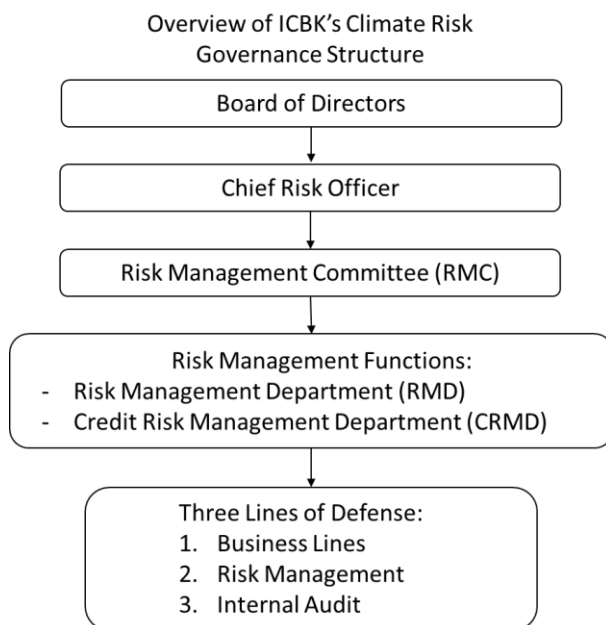


Figure 1: ICBK's Climate Risk Governance Structure

## Board's Oversight

The Board oversees the Bank's strategy and risk management activities on an enterprise-wide basis, including climate-related risks and opportunities. Specifically, the Board approves the Enterprise Risk Management Framework (ERMF), the Internal Control framework, the Risk Appetite Framework (RAF), and underlying policies. The Board fulfills this responsibility, for example, by reviewing risk management report(s) and the Risk Dashboard, which are updated on a quarterly basis and include information on climate-related developments that may impact the Bank.

The Board collectively possesses a balance of expertise, skills, experience, and perspectives. Relevant financial industry, financial literacy and risk management expertise are key competencies for the Board. Members of the Board have received training on OSFI B-15 requirements, climate risk, and greenhouse gas (GHG) emissions through a session delivered by the Bank's external consulting partner, further supporting the Board's oversight capabilities in this area.

## Management's Role

The Chief Risk Officer (CRO) is accountable for climate risk management and updates the Board on the level and nature of climate-related financial risk exposures to the Bank. The CRO chairs the Risk Management Committee (RMC) and oversees the Risk Management Department (RMD).

The RMC is responsible for integrating climate considerations into risk management strategy and operations, reviewing risk policies, procedures, and risk appetites limits to reflect the distinctive characteristics of climate-related risks and changes to the Bank's activities. The RMC discusses risk management matters during quarterly meetings and provides recommendations to the Board of Directors for final review or approval, including matters related to climate risk, where applicable.

The RMD acts as the second line of defense and is responsible for educating staff on risk management matters, updating the risk appetite framework, and monitoring key RAF metrics through reports and analyses, including climate risk management status and metrics, where applicable.

Like members of the Board, Senior Management has received training on OSFI B-15 requirements, climate risk, and GHG emissions through a session delivered by the Bank's external consulting partner.

Table 1 summarizes the key management-level climate risk management roles and responsibilities.

Committee, Role, Department	Function	Role in Climate Risk Governance
Chief Risk Officer (CRO)	Risk Oversight	<ul style="list-style-type: none"><li>• Reports to the Chief Executive Officer, providing independent oversight as the Second Line of Defense, with no business function and/or revenue generation responsibilities.</li><li>• Responsible for enterprise risk management (ERM) including climate risk.</li><li>• Reports to the Board on a quarterly basis, providing a risk management report which includes information on climate-related risks and opportunities.</li></ul>
Risk Management Committee (RMC)	Risk Governance	<ul style="list-style-type: none"><li>• Consists of Senior Management members and representatives from business lines and key support/oversight functions, and is chaired by the CRO.</li><li>• Discusses and review climate-related risks during quarterly meetings, as applicable.</li></ul>

		<ul style="list-style-type: none"> <li>Oversee the integration of climate considerations into strategy and operations, reviewing policies, procedures, disclosure, and limits to reflect the distinctive characteristics of climate-related risks and changes to the Bank's activities.</li> </ul>
Risk Management Department and Credit Risk Management Department	Risk Management	<ul style="list-style-type: none"> <li>Responsible for developing, implementing, and maintaining the Bank's integration of climate risk management matters into existing policies, procedures, and processes. It oversees the regular update of climate risk practices, metrics, and targets (once established).</li> <li>Promote communication across departments, provide training, monitor and report climate risks, and establish risk appetite limits, as applicable.</li> <li>Responsible for integrating climate risk considerations into the Bank's ICAAP process, preparing climate risk returns, and drafting climate risk disclosures.</li> <li>Integrate climate-related risks into credit assessments by evaluating borrowers' exposure to climate risk during the underwriting process.</li> </ul>
Finance and/or Other Stakeholder Departments	Business and Support Functions	<ul style="list-style-type: none"> <li>Integrate climate risk considerations into business planning, decision-making, and day-to-day operations.</li> <li>Provide relevant climate risk information and support to enable effective risk management, monitoring, reporting, and regulatory disclosure.</li> <li>Incorporate climate-related risks and opportunities into business development and strategic initiatives.</li> </ul>
Climate Risk Working Group (CRWG)	Cross Functional	<ul style="list-style-type: none"> <li>Coordinates climate risk identification, scenario analysis, and reporting efforts</li> <li>Enables effective communication and coordination.</li> </ul>
Internal Audit	Independent Assurance	<ul style="list-style-type: none"> <li>Provides an independent review of the adequacy and effectiveness of the climate risk management framework and climate-related control functions.</li> </ul>

## Strategy

The Bank's current climate strategy focuses on adhering to mandatory regulatory guidelines and requirements while striving to manage and monitor climate-related risks and opportunities relevant to the organization.

ICBK considers climate-related risk and opportunities in its strategy as they can affect client performance, collateral values, and long-term growth. We focus on identifying climate risks across our portfolios and operations, to integrate climate considerations into capital planning and decision-making, such as underwriting/credit adjudication, and portfolio management (where relevant). We are also strengthening our use of climate data and scenario analysis to test resilience under different plausible climate pathways and to help guide capital planning over the short, medium, and long term. We continue to improve climate data and risk assessment practices while supporting an orderly and responsible transition over time, guided by prudent risk management and evolving regulatory expectations. Some of the Bank's supporting actions include establishing our Climate Risk Working Group (CRWG), climate risk training, and incorporating climate risk considerations into Credit Guidelines for the Bank.

The Bank categorizes climate risk into two main types: physical risks and transition risks:

**Physical risks** stem from direct climate change effects, such as flooding, wildfires, extreme weather events, and long-term shifts, impacting collateral assets and sectoral stability. Physical risks affect the Bank through transmission channels, including, but not limited to a) damage to branches, b) higher operating costs (e.g., insurance, IT), c) impaired data centers

d) property damage (increased repair costs, depreciation of asset values), and e) Reduction in revenue/income (e.g., via disrupted operations or loan default).

**Transition risks**, such as policy and carbon pricing changes, technology shifts, and changing customer expectations, arise from financial and economic impacts associated with the shift to a low-carbon economy. Transition risk may impact carbon-intensive raw material prices and shift consumer behaviour and market risk signals. Climate risk may impact the performance of stocks and corporate bonds; as markets reprice these risks during the transition to a low-carbon economy, the effects will spill over into the real economy and monetary policy. This shift could specifically alter the long-term risk-free yield curve. Furthermore, high-carbon industries may face declining profitability, higher refinancing costs, and increased default risks due to stricter regulations and evolving market preferences.

To manage the potential exposure to climate risks, the Bank is integrating climate risk considerations into credit assessments. Relevant lending exposures are mapped based on their corresponding collateral location, applying geocoding practices that adhere to OSFI guidelines on SCSE and Climate Risk Returns, enabling the Bank to monitor physical climate risk exposures against established risk limits as part of its ongoing risk management and oversight practices. To measure current lending exposures to the transition sensitive sectors i.e. Oil and Gas, Transportation, relevant business loans are examined and classified into OSFI-prescribed sectors. The Bank has furthermore incorporated climate risk considerations into the ICAAP process to understand the potential financial impacts of climate-related risks under various stress scenarios on SCSE. Overall, these activities support the identification and understanding of potential climate risk impacts on the Bank’s lending portfolio.

Table 2 provides information on climate-related risks and opportunities that may impact the Bank’s business, strategy, and financial planning over the short, medium, and or long term horizon. ICBK has defined its time horizons as they pertain to climate risk as follows: short term considers impacts that may occur in less than a year, medium term considers impacts that may occur within one-to-three years, while long term considers impacts that may occur after three years and spans to 2050.

**Table 2: Climate-related risks and opportunities that may impact ICBK’s business, strategy, and financial planning**

Climate Risk Type	Examples of key climate risk drivers	Potential impact	Illustrative mitigation measures	Applicable time horizon
Acute physical risk	Operational risk: Property Damage Business Interruption IT System Failure Loss of Customer Data	Acute physical risks could have financial implications from direct damages to the Bank’s assets: Extreme weather events, such as floods, wildfires, and storms, can damage the Bank’s physical assets (branches and data centers) and disrupt operations.	The Bank has strengthened its operational resilience to address acute physical and climate-related risks through enhanced risk management, infrastructure protection, and insurance coverage. Key measures include implementing comprehensive operational risk and business continuity plans with regular testing, upgrading data center capabilities to better protect critical systems from extreme weather and other hazards, and maintaining both property and cyber insurance to reduce potential financial losses from physical damage or data breaches.	Short, Medium & Long Term
	Credit risk: Residential and Commercial Loan Default	Acute physical risks could have financial implications from indirect impacts from potential bad debts: Climate hazards like flooding, wildfires, and extreme storms can cause physical damage to real estate assets. These impacts could result in payment schedule delays, a reduction in a borrower’s creditworthiness, and (in extreme cases) increased loan defaults.	ICBK aims to assess and monitor its potential exposure by examining scenarios of impaired loans due to physical climate hazards, and integrating climate consideration in its credit assessments and ICAAP processes. The Bank has adopted geocoding practices to map loan collaterals to their corresponding wildfire and flood risk levels based on their Forward Sortation Areas. To mitigate the potential exposure, the Bank requires appropriate insurance coverage of real estate assets, especially if properties are located	Short, Medium & Long Term

			in moderate, high, or very high flood or wildfire risk areas. In addition, the Bank has established a risk appetite threshold to limit the Bank's exposure to assets located in moderate, high or very high flood or wildfire risk areas.	
Policy and Regulatory	Credit and market risks: Pricing of GHG emissions Climate policy uncertainty	Policy and regulatory transition risks could have financial implications from indirect impacts from potential bad debts: Uncertainty in future climate policy changes may impact the Bank's financial decision-making. Conventional industries such as fossil fuel and natural gas may be prone to higher GHG emission pricing as well as uncertainty in climate policies. Such impacts may leave some borrowers unable to service their debt.	ICBK assess and monitor its potential exposure to transition sensitive sectors, mapping its lending exposures based on OSFI-prescribed industry sector labels. To mitigate potential future impacts, the Bank monitors exposures to these sensitive sectors when considering lending decisions to mitigate credit, market, and operational risks resulting from climate policy changes.	Short, Medium & Long Term

## Risk Management

ICBK defines climate risk as transverse risk, having the potential to impact the Bank's enterprise risks. We manage climate-related risks through our ERMF by identifying, assessing, monitoring, and reporting potentially material physical and transition risks across relevant risk types. We use internal and external data to flag higher-risk exposures by geography, sector, and collateral type, and incorporate climate considerations into due diligence and decision-making (including underwriting/credit review as required). Climate risk metrics and key developments are reported to senior management and the Board, and the approach continues to mature as data and methodologies improve.

To implement OSFI's guideline B-15 Climate Risk Management, the Bank developed an implementation action plan to establish a sound climate risk management framework. ICBK's risk management practices are streamlined to these four key steps: risk identification, risk assessment and measurement, risk mitigation, and risk monitoring and reporting. By integrating these steps into the RAF, each department performs their due diligence in protecting the financial resilience of the Bank. This includes providing climate risk data and key risk indicators (KRIs), such as climate risk exposure and greenhouse gas (GHG) emissions data, to support internal and regulatory reporting and disclosure, and by incorporating climate risk considerations into their routine business operations and business development plans.

## Risk Identification

The Bank's ERMF incorporates material climate-related risks by identifying the key transmission channels, where physical or transition risks and opportunities could lead to economic impacts to the Bank. Climate risks are classified based on the following categories:

- the nature of the drivers (risks or opportunities), and
- the type of climate risk (physical risks and transition risk).

ICBK identified potentially material climate-related risks in a multi-step process that involved stakeholders from different functions. Building on ICBK's definition of physical and transition risks and opportunities, the Bank established a list of

plausible transmission channels and potential impacts to the Bank considering the Bank’s loan portfolio (by product and industry), critical operations, and supply chain. ICBK further scrutinized the list to identify risk drivers that could impact more than one industry and/or product.

## Risk assessment and scenario analysis

At the end of FY2024 and the start of FY2025, ICBK conducted OSFI’s Standardized Climate Scenario Exercise (SCSE) as a foundational step to assess potential implications of select physical climate hazards (i.e. flood and wildfire) and real estate transition risk exposure under different climate futures. The exercise was conducted as a cross-departmental collaboration. Key SCSE activities, including NAICS mapping, regional sector mapping, and geocoding, were conducted by ICBK in alignment with OSFI guidelines. The outcomes of the SCSE were provided to management and approved by the CRO.

In FY2025, ICBK incorporated climate risk considerations into the Internal Capital Adequacy Assessment (ICAAP) process to recognize the potential impact of climate-related factors on the Bank’s risk profile. Specifically, ICBK assessed two physical risks and two transition risks under different climate scenarios:

Physical risks	<ul style="list-style-type: none"> <li>Operational risk due to damage of the Bank’s physical assets by climate-driven events, such as floods and wildfires.</li> <li>Credit risk due to the potential loss of value of loan collaterals or loss of revenue due to production impacts as a result of climate-driven events.</li> </ul>
Transition risks	<ul style="list-style-type: none"> <li>Interest rate risk due to the transition to a lower-carbon economy.</li> <li>Credit risk due to the changes to the Debt Service Coverage Ratio (DSCR) and Probability of Default for key climate transition industries due to the transition to a lower-carbon economy.</li> </ul>

For example, for the transition risk analysis, the Bank assessed implications for two scenarios (Net-Zero 2050 (1.5°C) and below 2°C). The analysis covered the majority of the Bank’s portfolio and leveraged external data sources, such as projected Government Bond Yield (GBY) shocks from a third-party data provider and climate scenario data from the Bank of Canada. In scope climate transition industries were selected based on OSFI guidelines and included Real Estate and Rental and Leasing, Fossil Fuel Electricity Production, Oil Extraction, Livestock Production and Support, Manufacturing, Air Transportation, Rail Transportation, Crop Production and Support, Natural Gas Industry and Support, Other Transportation.

The outcome of the analysis indicates that the potential financial impact of the in-scope climate risks is immaterial. The outcomes of the ICAAP analysis were provided to management and approved by the ALCO and the Board.

## Risk Mitigation

In addition to the ICAAP analysis, the Bank developed appropriate climate risk RAF measures. For example, the Bank implemented a risk appetite threshold that limits the Bank’s lending exposure to collateral in areas with high or very high wildfire or flood risks, and the Bank requires relevant business functions to validate adequate insurance coverage for loan collaterals. In addition, ICBK has established industry limits to manage lending exposure to transition-sensitive sectors.

## Risk Monitoring and Reporting

The Bank is monitoring its exposure to lending with collateral in potential high, or very-high physical risk areas, as well as transition-sensitive sectors. Ongoing monitoring and reporting of climate-related risks includes periodic reviews of key climate risk RAF utilization and limits. In addition, qualitative risk assessment and quantitative scenario analyses are incorporated into the Management reporting and ICAAP.

## Metrics and Targets

We use metrics to monitor climate-related risks and opportunities and to support management oversight. We track key indicators of physical risk (e.g., exposure by geography/collateral type), transition risk (e.g., exposure to transition-sensitive sectors), and our operational footprint, including Scope 1 and Scope 2 GHG emissions.

ICBK has not yet established specific climate-related targets. Management is currently focused on strengthening climate risk data capabilities to support the future development of meaningful targets.

## An Overview of the Bank's GHG Emissions

ICBK's GHG emissions are reported in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) under the operational control approach, consistent with the GHG Protocol standard. Emissions are categorized into Scope 1 and Scope 2 representing direct emissions from sources the Bank owns or controls (e.g., office locations and company vehicles), and indirect emissions from purchased energy consumed by the Bank, respectively. To calculate GHG emissions, actual data is preferred over estimated data (including actual gasoline consumption and energy usage). Only a few exceptions exist, in which estimated data is used as proxies. Total Scope 1 and 2 GHG emissions by scope and source are presented in Table 3:

Emission Scope	Emission Source	2025	2024
		Total GHG Emissions (tCO <sub>2</sub> e)	Total GHG Emissions (tCO <sub>2</sub> e)
Scope 1	Stationary Combustion	170	170
	Mobile Combustion	3	7
	Refrigerants	19	19
	<b>Subtotal</b>	<b>193</b>	<b>196</b>
Scope 2	Electricity (location-based)	75	69
	<b>Subtotal</b>	<b>75</b>	<b>69</b>
<b>Total</b>		<b>267</b>	<b>265</b>

*Forward-looking statements and disclaimers:*

*This disclosure includes forward-looking information related to climate-related risks, opportunities, metrics, targets, and future plans. Such information is based on assumptions, estimates, and methodologies that are subject to change and may involve significant uncertainty.*

*Climate-related data, standards, and regulatory expectations continue to evolve. Certain information included in this disclosure may rely on third-party or client-provided data that has not been independently verified and may be revised over time.*

*Scenario analysis and climate-related estimates are hypothetical in nature and are not predictions of future performance or outcomes. Actual results may differ materially from those expressed or implied in this disclosure.*

*This disclosure is provided for informational purposes only and may be updated as practices, methodologies, and regulatory guidance continue to develop.*