

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD**

Registration No. 201001000001 (839839-M)

(Incorporated in Malaysia)

**Climate-related Disclosure**

## Climate-related Disclosure

### 1.0 Climate Risk

Climate risk is the risk that may arise from climate change, its related impacts and its economic and financial consequences. This includes three primary drivers of climate risk:

- i. **Physical risk:** Arising from increasing severity and frequency of extreme weather events, longer-term gradual shifts of climate and indirect effects of climate change.
- ii. **Transition Risk:** Arising from the process of adjustments towards a carbon-neutral economy .

### 2.0 GOVERNANCE

- i. **Board Oversight:** The Board of Directors (“Board”) at ICBC Malaysia (“the Bank”), assisted by the Board Risk Management Committee (“BRMC”), is responsible for the overall oversight of sustainability and climate-related risks of the Bank. The Board acts as the approving authority of climate-related policies, goals/ targets, risk appetite and strategies, oversees the effective management of sustainability and climate-related risks and opportunities when reviewing and approving the Bank’s strategies and business plans, and oversees the adequacy of management capacity and resources.
- ii. **Executive Management:** The Senior Management Committee (“SMC”), assisted by the Management Risk Management Committee (“MRMC”) and ESG Task Force, is responsible for implementing sustainability and climate-related risk management practices approved by the Board, to allocate sufficient resources and capacity, to supervise the progress in achieving the goals/targets, risk appetite and regulatory requirements, to clearly define roles and responsibilities in facilitating an effective implementation, and to formulate effective escalation channels for reporting material risks and exceptions for the BRMC and Board’s deliberation.
- iii. **Three Lines of Defence**
  - a) First Line of defence departments are responsible for identifying and managing risks associated with their day-to-day operations. Climate-related risk assessments shall be undertaken during client onboarding, credit application and credit review processes, ongoing monitoring and engagement with clients, as well as in new product or business approval processes.
  - b) Second Line of defence departments are responsible for ensuring the embedding of the sustainability and climate-related risk considerations

across all material inherent risks as part of integrated risk management, as well as undertaking a climate-related risk assessment and monitoring in credit management.

- c) Third Line of defence department is responsible for providing an independent review and objective assurance of the quality and effectiveness of the overall internal control framework, taking into account changes in methodology, business and risk profile, as well as the quality of underlying data.

**iv. Policies:** The Bank has developed the following policies to guide its Climate risk management:

- a) Sustainability and Climate Risk Management Policy

The Sustainability and Climate Risk Management Policy is formulated to drive the identification, measurement and understanding of climate-related risks and opportunities, their impact on the Bank's business activities/ operations and to outline the risk controls to ensure that the identified climate-related risks are progressively mitigated to achieve sustainable growth. This Policy Document aims to create a strong risk culture within the Bank and improve the quality of the risk management function and serves as a source of reference for the Bank in relation to its climate-related risk management on an integrated basis.

- b) Sustainability and Climate Risk Assessment Procedure

The Sustainability and Climate Risk Assessment Procedure is devised to provide a standardised and systematic approach and control in climate-related risk management that is to be integrated into the existing credit assessment flow, and to be observed during credit initiation and on-going credit surveillance throughout the tenor of the credit facility. This document outlines a general guide on climate-related risk assessment processes in identifying, measuring, controlling, reporting, and monitoring climate-related risks and opportunities arising from credit lending and investment activities.

### 3.0 RISK MANAGEMENT

The Bank adopts BNM's Climate Change Principle-based Taxonomy ("CCPT") in classifying climate risk categories (C1 to C5b) for its credit exposures. Climate risk assessment is integrated into the credit processes.

Climate risk is considered as one of the material risk factors in the bank-wide integrated stress testing, where customers in identified high-emission sectors are assumed to be more vulnerable to the implementation of carbon taxes or stricter emission regulations, increasing the likelihood of heightened operating costs or operating licenses being revoked or hefty penalty being incurred.

## **4.0 STRATEGY**

The Bank formulates sustainability and climate strategies to ensure that business development is in line with the risk appetite set and the Bank remains competitive in anticipation of the changing market environment, along with increasing scrutiny and preference towards climate-friendly solutions and responsible practices. This includes promoting the transition by customers and counterparties towards a carbon-neutral economy and more sustainable practices across business portfolios and engagements, as well as expanding the financing of climate-related opportunities and sustainable economic activities.