ICBC Standard Bank

Sustainability Report

2024

FOR THE YEAR ENDED
31 DECEMBER 2024

Table of Contents

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 2024. 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.

Regulatory Landscape

Governing Body	Regulation/ Recommendation	Action
Task Force on Climate-related Financial Disclosures (TCFD):	TCFD Recommendations	The TCFD is a global organisation 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. The TCFD recommends climate-related disclosures related to governance, strategy, risk management, and metrics and targets. 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.
United Kingdom (UK) Legislation:	The Companies (Directors' Report) and Limited Liability Partnerships (Streamlined Energy and Carbon Report) Regulations 2018 (SECR) The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022	SECR requires UK energy use disclosures in the form of Greenhouse Gas (GHG) Emissions for electricity consumption, gas combustions and fuel consumption. 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. The purpose of these disclosures is to help support investment decisions as the UK moves toward a lower carbon economy.
Prudential Regulation Authority (PRA):	PRA Supervisory Statement SS3/19 – Enhancing banks' and insurers' approaches to managing the financial risks from climate change	The PRA expects firms to develop and embed a strategic approach to managing the financial risks from climate change. The PRA expects firms to consider engaging with the TCFD framework and other initiatives in developing their approach to climate-related financial disclosures.
International Sustainability Standards Board (ISSB):	IFRS S1 – General requirements for disclosure of sustainability-related financial information IFRS S2 – Climate-related disclosures	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. The Standards bring together and will replace existing frameworks and standards, including the TCFD recommendations. In June 2023, ISSB issued its first two sustainability reporting standards; S1 and S2. Further thematic reporting guidance will be issued over time. The standards are yet to be formally adopted within UK regulation. Based on latest guidance, the Government aims to make the UK-endorsed ISSB standards available in Q1 2025. ICBCS has performed a review and gap assessment of the disclosure requirements.

Governing Body	Regulation/ Recommendation	Action
Financial Conduct Authority (FCA):	Sustainability Disclosure Requirements (SDR)	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. The Government aims to make the UK-endorsed ISSB standards available in Q1 2025. Subject to a positive endorsement decision by the Government, and following a consultation process, the FCA will be able to use the UK Sustainability Reporting Standards to introduce requirements for UK-listed companies to report sustainability-related information.
Transition Plan Taskforce (TPT):	Disclosure Framework	The Transition Plan Taskforce (TPT) was created to develop a voluntary 'gold standard' transition plan framework and guidance building on ISSB and TCFD. Aiming to enable robust, consistent and action orientated transition plans as well as informed recommendations for UK's regulatory requirements. The final disclosure framework was released in October 2023 with specific sector guidance published in April 2024. As of June 2024, the IFRS Foundation has assumed responsibility for the TPT's disclosure-specific materials developed by the Transition Plan Taskforce. ICBCS has performed a review and gap assessment of the disclosure requirements.
Task Force on Nature-related Financial Disclosures (TNFD):	TNFD Recommendations	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. The TNFD recommends nature-related disclosures related to governance, strategy, risk and impact management and metrics and targets. ICBCS is monitoring the development of these recommendations at this stage.

GOVERNANCE

We have implemented a robust governance framework for oversight and management of sustainability, including climate-related risks and opportunities.

The Board takes overall responsibility for risk management, legal and regulatory compliance, and review and monitoring of sustainability-related risks and opportunities. 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, compliance and reporting.

ICBCS Board

Key Responsibilities

- 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; and
- Held quarterly.

Board Risk Management Committee

Key Responsibilities

- 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; and
- Held quarterly.

Board Audit Committee

Key Responsibilities

- 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; and
- Held quarterly.

Board Remuneration and People Committee

Key Responsibilities

- 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; and
- Held quarterly.

Executive Committee

Key Responsibilities

- Integrate Board views into sustainability and ensure appropriate progress is made;
- Formulate the sustainability strategy, approval of risk appetite and proposal of metrics and targets ahead of the Board;
- Regularly monitor sustainability metrics and information; and
- Review quarterly.

Sustainability Working Group

Key Responsibilities

- Central co-ordination from executive 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;
- Review of sustainability-related policies and frameworks and submit to Executive Committee for approval; and
- Held monthly.

Risk Management Committee

Key Responsibilities

- 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; and
- Held monthly.

In the latter part of 2023, we formed a Sustainability Working Group to establish a cross-functional forum aimed at embedding sustainability throughout the organisation and overseeing all related initiatives. Led by the executive office, the Working Group became fully operational in 2024 and comprises seven workstreams led by the accountable executives listed below.

Accountable Executives

The above represents the main Board committees that are responsible for sustainability, however, as we further integrate sustainability practices into our businesses, there are other executive committees that will consider sustainability-related risks and opportunities when executing their functions, for example the credit committee may refer transactions related to restricted activities to the transaction approval committee to consider any reputational risks.

BUSINESS STRATEGY

Our approach

In 2023, ICBCS set out its approach to sustainability and how we will support the energy transition through supporting our clients. In 2024, we integrated consideration of sustainability-related risks and opportunities into our overarching business strategy and day-to-day practices.

Towards the end of 2024, we held a dedicated Board discussion on our approach in light of relevant corporate sustainability trends, including regulatory developments and climate litigation risk. This culminated in an updated sustainability vision that has been integrated into our overall strategy, shown below.

Our sustainability strategy has been agreed after careful consideration of various factors, including:

- our emerging markets client base
- our focus on trading and structured finance
- our regulatory requirements
- our risk appetite
- our financial targets and commercial strategy
- our direct operational footprint
- our stakeholders' expectations

An integrated and proportionate sustainability strategy

To fulfil our Purpose..

Overall

To serve our clients globally as the Commodities and Financial Markets platform of ICBC and Standard Bank.

Sustainability

ICBC Standard Bank is committed to supporting clients in achieving their energy transition and sustainability goals, while managing its related risks and opportunities to maintain its position as a resilient and profitable business.

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	**FIC**
Renewable structured finance deals Lower carbon intensity energy, and metals critical to the energy transition 'Recycling' sector and clients	Support of social and economic development of Emerging Markets and Developing Economies

ICBC Standard Bank will uphold **responsible banking and sourcing practices**, maintain a **diverse and inclusive workforce**, and **support local communities.**

Sustainability stakeholder impact assessment

Our stakeholders are critical to our success and as such we regularly consider their expectations of our business. We engage with our different stakeholders to better understand these expectations and to discuss how we are meeting them.

Policy and regulation

- Considering sustainability factors is assumed as part of a company's fiduciary duty and expectations are increasing
- Implementation of UK Companies Act, International Sustainability Standard Board (ISSB), FCA and PRA regulations and disclosures
- Impending enhanced regulation from Transition Planning Taskforce (TPT) and Sustainability Disclosure Requirements (SDR)

Market

- Being engaged with sustainability is important in order to remain competitive in our market

ICBC Standard Bank

Client expectations

- Growing demands from clients and counterparties with regards to greater transparency and understanding on the approach to sustainability, which allows them to assess with who and how they partner as a basis for ongoing business relationships

Risk materiality

- Increasing recognition that sustainability factors, specifically climate-related factors, can affect risk and return
- Real life examples of exposure to climate-related events e.g. weather events, fires, floods

Employees expectations

- Talent attraction and retention
- Individual views of creating a positive impact and making conscious decisions related to sustainability

Reputational risk and external stakeholders

- Media
- Insurance providers
- Political and non-governmental organisation (NGO) pressure
- Third party ratings

Our progress

Sustainability is integrated into our overall strategic assessment, conducted annually during our planning cycle. Given the cross-functional nature of the sustainability working group and the involvement of executives that are key in setting our business strategy, it provides a direct platform to influence and shape the evolution and integration of our sustainability strategy.

The workstreams have achieved the following successes in 2024:

- Key process improvements such as enhanced due diligence standards, horizon scanning and client and supplier screening as well as more extensive use of the scenario analysis results;
- Sustainability policy creation and governance has been strengthened, indicated by the refinement of the environmental policy as well as the drafting of the greenwashing and operational scope emissions policies, that will be ratified in 2025;
- A sustainability transaction framework has been drafted, to assess and clarify the impact of structured financing deals. This work will continue into 2025;
- Operational scope emissions (scope 1, 2 and select scope 3) calculations, previously performed by a third party, were brought in house. Data collection is collated, verified and managed on a quarterly basis with final calculations and disclosures performed annually; and
- Initiation of the process of calculating financed emissions. To assist us, we engaged a third party to conduct a gap assessment focusing on asset classification and scoping, data sourcing and processing, and model design considerations. Based on the assessment results, we used our 2023 year-end balance sheet to define our lending book, identify applicable counterparties, and gather the relevant data needed to calculate our emissions. Given the nature of our counterparties, we will use proxies to calculate our emissions and, in 2025, we will obtain the necessary proxy data and complete the calculations.

Identifying and assessing sustainability-related risks and opportunities

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

- Stakeholders' expectations;
- 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; and
- Opportunities for new products and services related to financing the energy transition and circular economy.

To enhance our management of sustainability-related risks, we have integrated a comprehensive sustainability questionnaire into the client onboarding process. This ensures that new clients are assessed against our environmental risk policy and risk appetite. Additionally, it helps us understand our clients' stance and maturity on various sustainability factors, such as environmental impact, social responsibility, and governance practices.

In addition, client and counterparty credit appetite are subject to climate risk-related evaluation through a scoring mechanism and consideration is given to the tenor of exposures, and exposure to physical and transition risk.

Key considerations

Given the nature of our business as a financial services company with a small operational footprint, our direct sustainability impact is not material, 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.

In our environmental policy, we have classified certain activities into three groups. These activities are more sensitive from a climate risk perspective and could cause increased exposure to the Bank, from both a financial and non-financial perspective.

Prohibited Activities

We will not directly facilitate new activities with any of our current or prospective clients:

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.
	Mining, trading or processing dedicated to coal	As well as the impacts associated with mining operations, coal mining causes mine drainage, resulting in heavy metals dissolving and seeping into ground and surface water. The practice often leads to significant release of fugitive coalbed methane, mainly at underground operations.
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.
	Coal-fired power plants	Upon burning, coal produces a number of gaseous by-products, including carbon dioxide, nitrogen oxide, sulphur dioxide and methane gas.
	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 doxide release.
Agri-Commodities 	Deforestation and/or burning tropical rainforest in order to produce agri-commodities	The main impacts of deforestation include reduced biodiversity, loss of carbon sinks, release of emissions, disrupted water cycles and soil degradation.
	Production or trading in palm oil	The palm oil industry has grown rapidly and is a major driver of deforestation, resulting in biodiversity loss, illegal logging, forced resettlement of communities and pollution.
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.

Restricted Activities

We may restrict a transaction or exposure through tenor, notional or concentration limits. The transaction approval committee consider any reputational risks, with the credit committee determining the final level of exposure and any restrictions.

Sector	Activity	Restriction
Mining 	Mining of uranium and thorium ores Mining or manufacturing of fertilizers/ nitrogen compounds/chemicals	Transaction by transaction basis (No exposure to this activity at 31 December 2024).
Energy 	Oil and Gas including fracking (excluding prohibited activities)	Total exposure < 25% of credit economic capital.
Industrials 	Manufacture of cement Manufacture of paper and pulp	Transaction by transaction basis (No exposure to this activity at 31 December 2024).
Consumer 	Logging	Transaction by transaction basis (No exposure to this activity at 31 December 2024).

Monitored Activities

No restrictions are placed on monitored activities, however due to the activities being sensitive to environmental (including climate) risks, exposure will be reported quarterly and monitored against overall exposure levels.

Sector	Activity
Mining and Metals 	Manufacturing and processing of metals and minerals (excluding metal traders). All activities related to mining (excluding prohibited and restricted activities).
Power and Infrastructure 	Power generation (excluding coal and renewable). Energy transmission.
Industrials 	Chemicals. Automobiles. Manufacturing (excluding group 1 and 2 lists). Airlines.
Consumer 	Agricultural activities including cultivation, processing, distribution and wholesale.

These activities are monitored on a quarterly basis and presented at the Risk Management Committee for review, and thereafter they are presented at the Board Risk Management Committee.

Risks and Opportunities identified

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).

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

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

Physical risks

Severity of change	 **Acute**	 **Chronic**
Climate-related events	• Increased severity of extreme weather events such as hurricanes, wildfires and flooding; • Heat stress – acute periods of extreme temperatures; and • Water stress – acute periods of severe water shortage.	• Changes in precipitation patterns and extreme variability in weather patterns; • Rising mean temperatures; and • Rising sea levels.
Time horizon	Short, medium and long	Long
Actual/potential impacts on business model and strategy	• Short lived extreme weather impacts; • Disruptions to operations, transportation, supply chains, etc.; and • Damage to physical assets and impacts on insurance pricing and availability.	• Impacts due to slow insidious change such as increasing temperature or water stress; and • Degradation or limitations on resource availability e.g. labour, natural resources, etc.
Risk types impacted	Credit, market, liquidity, operational	Credit, operational

Transition risks

Risk driver	Policy and Legal	Market and Economic	Technology	Reputation
Description	• Increased pricing of GHG emissions; • Enhanced reporting obligations; • Regulation of products and services; and • Exposure to litigation.	• Changing customer behaviour; • Increased cost of materials; and • Uncertain market signals.	• Substitution of products and services with lower emissions options; • Unsuccessful investment in new technologies; and • Costs to transition to lower emissions technology.	• Consumer preference shifts; • Stigmatisation of sector; and • Stakeholder concern.
Time horizon	Short – long	Short – long	Short – long	Short – long
Actual/ potential impacts on business model and strategy	• 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; and • Such clients are also likely to be more exposed to climate-related litigation and scrutiny around their transition plans.	• 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; and • 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.	• The market share and pricing power of fossil fuel companies may be reduced leading to falls in valuation and increase in PD; and • 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.	• 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; and • 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

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

Sustainability-related opportunities over short, medium and long term

Commodities			
Opportunity	**Renewable structured finance deals**	**Financing of lower carbon products**	**Financing of metals critical to the energy transition**
Description	• Seek to prioritise solar, wind, batteries, transmission infrastructure and other deals with strong sustainability credentials and within risk appetite.	• Build out of derivatives in lower carbon products; • Increase in physical financing of lower carbon products; and • Build out more comprehensive Liquefied natural gas (LNG) /gas product suite	Focus on metals critical to the energy transition (copper, cobalt, nickel, lithium); • Seek to increase trading and financing of critical metals; and • Execute plan for product evolution (Ni matte and MHP, copper concentrates, and lithium).
Time horizon	Short – long	Short – medium	Short – medium
Actual/ potential impacts on business model and strategy	• Increase the pipeline and diversity of energy product offerings; • Develop expertise as sector evolves; and • Changes to geographical and customer portfolio.	• Facilitate client's transition to lower-carbon fuels.	• Low impact on business model as expansion of current business lines.

FIC

Opportunity	**Supporting economic and social development in emerging markets**
Description	• Create access to and liquidity in emerging markets by developing capital markets, international debt mobilisation and investment; and • Continued financing of emerging market sovereigns, state owned enterprises and financial institutions in support of the development.
Time horizon	Short – long
Actual/potential impacts on business model and strategy	• Potential increased coverage and exposure to emerging and developing regions and countries; and • Increase regional expertise capabilities.

Resilience

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 carbon-based working capital solutions may decline. The impacts to business planning and strategy will be regularly evaluated as sustainability and climate-related events evolve.

Our scenario analysis capabilities continue to strengthen, 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.

CLIMATE RISK MANAGEMENT

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; and
- **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) 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 climate-related risk is embedded within key processes of 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.	A counterparty could be exposed either through physical risks to its operations and assets or transition risk to its sector(s) of operation. Economic impacts may affect their cash flows, leading to a higher PD and/or loss given default (LGD).
Market risk 	Risk associated with the change in market value, earnings (actual or effective) or future cash-flows of a standalone underlying financial instrument.	Market value loss due to societal, legal and technological response to climate change resulting in investor perception of profitability and a consequent revaluation. Physical risk channels can also result in market value loss due to weather impacts particularly affecting commodities and property.
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.	Commodity prices could change significantly leading to margining. Depositors impacted by climate-related risks may withdraw funding to meet their cash flow needs.
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.	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. Liability claims may increase from parties who have suffered climate-related losses and seek to recover those losses from those they deem responsible.
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.

Key risk management processes

- Climate-related impacts assessed as part of credit analysis through a scorecard;
- The internal credit rating may be adjusted as a result of the scorecard output;
- Scenario analysis undertaken on the credit portfolio (see scenario analysis section); and
- Sustainability assessment undertaken at client on-boarding stage for corporate counterparties.

- Climate-related stress tests implemented and run alongside other macroeconomic stress scenarios.

- Climate-related factors considered within the internal stress scenario.

- Climate-related considerations embedded within new product approvals, risk and control self-assessment and business continuity scenarios;
- Operational risk scenario analysis impact of climate change on relevant scenarios; and
- The Physical Commodities Risk Assurance function includes a modelled projection of certain perils such as flood risk on storage facilities as part of the on-boarding assessment.

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

Climate scenario analysis

Our approach to quantifying impacts of climate-related scenario analysis continues to evolve. We expect to further strengthen 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 actively inform business decisions but have been used during the year to inform business resilience analyses performed.

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

Assumptions per Oxford Economics	**Scenarios**		
	Net Zero (early action)	**Low Demand (late action)**	**Climate Catastrophe (limited action)**
Narrative	Net zero emissions are achieved through early policy action, technological advances and global coordination. The impact on the economy is modest, with higher investment helping to offset carbon taxes.	Governments impose strict climate policy in response to rising physical risk. However, the failure to advance the supply side transformation forces the world to reduce energy demand to meet climate goals. Increased government action helps reduce energy demand and enhance energy efficiency.	Governments fail to meet their policy pledges and the concentration of greenhouse gases in the atmosphere intensifies. Global temperatures warm by 2.3°c by 2050, resulting in severe physical damages that accelerate over time.
Nature of transition	Smooth	Disruptive	Incomplete
Carbon price (2050, World mean, $/tCO2)	880	1,100	46
Carbon tax revenue recycling	50%	50%	0-50%
Cumulative green energy investment ($ trn)	132	93	43
Oil price (2050 $/b)	29.6	29.1	116.9
Innovation	Medium	Medium	Low
Carbon capture	Medium	None	None
Physical risk	Low	Low	Extreme
Global warming (2050, mean)	1.6°c	1.6°c	2.3°c

Source: Oxford Economics Q4 2024 Global Climate Service.

Conducting climate scenario analysis raises several challenges. The time horizons being assessed are beyond normal business planning horizons, introducing significant levels of uncertainty. Data gaps remain a challenge and necessitate a greater use of proxies and assumptions. The utilisation of a static balance sheet does not factor in how counterparties may adapt or evolve. The need to be forward-looking with climate scenario analysis also means a probability distribution from past shocks is not possible.

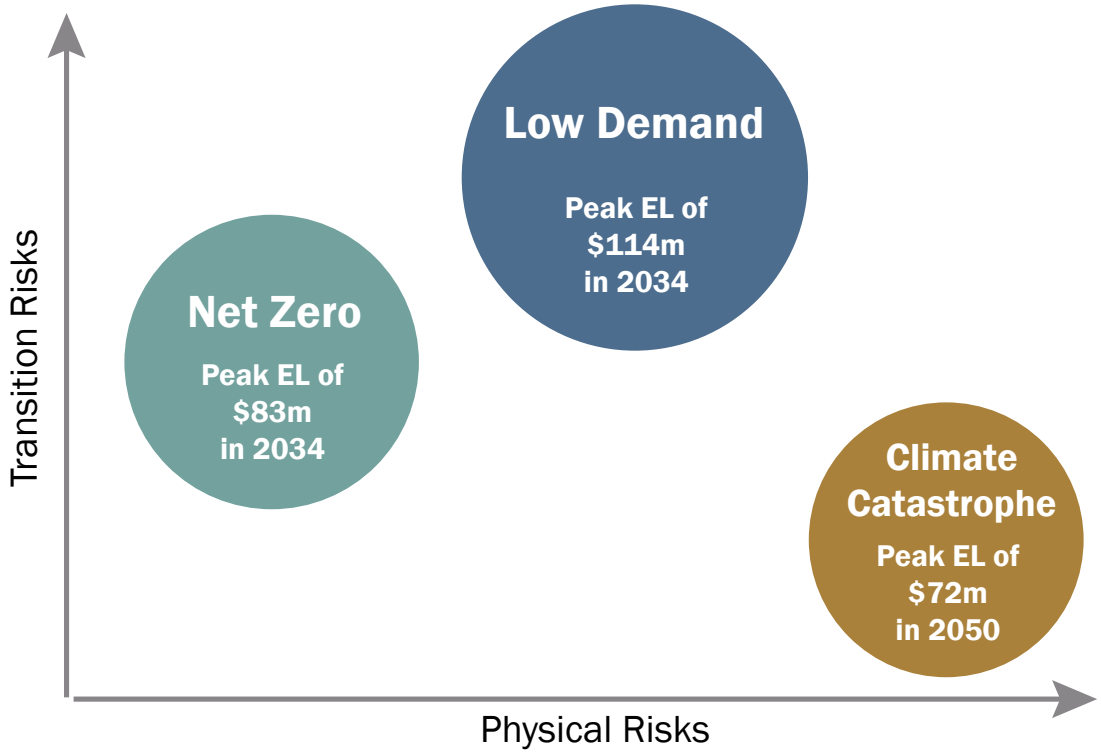
In order to assess the impact of climate change on our business, we leverage predictive capabilities delivered by OE. Historically being one of the leaders in economic forecasting, OE translates widely accepted climate scenario narratives into a set of macroeconomic projections, out of which we select 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 2024 portfolio. The magnitude of shocks was taken from the years 2025, 2027, 2029, 2034, 2039, 2044 and 2050 of the chosen 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 Low Demand (late action) scenario producing the largest losses. Climate Catastrophe demonstrated increasing losses over the time horizons assessed. As a scenario that is focused on limited action, and therefore 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



METRICS AND TARGETS

Metrics and Targets

We remain committed to transitioning towards a lower carbon economy. Given the complexity and relative trade-offs in our markets and products, we are currently focused on establishing a baseline for our activities. In line with our risk appetite and efforts to manage climate-related risks, we will monitor our progress and aim 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	2024 ($m)	2023 ($m)	YoY % change
Agriculture	**6.5**	47.6	-86.3%
Airlines	**51.1**	17.8	>100%
Automobiles	**121.6**	181.0	-32.8%
Chemicals	**41.5**	55.6	-25.4%
Coal[1]	**18.8**	23.0	-18.3%
Manufacturing[2]	**25.2**	33.2	-24.1%
Metals[3]	**466.6**	358.9	30.0%
Mining	**267.2**	175.2	52.5%
Oil and Gas[4]	**935.4**	1,212.9	-22.9%
Power Generation[5]	**108.3**	73.3	47.7%
Elevated climate risk exposures as % of total exposures	**24.5%**	26.6%	-7.8%

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 2024 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 and Global operations year on year.

Summary

	2024 UK	**2024 Global**	**2023 UK**	**2023 Global**
Scope 1 emissions[1] / tCO2e	**76**	**88**	76	100
Scope 2 emissions, location-based / tCO2e	**345**	**711**	367	734
Scope 3 emissions / tCO2e	**2,788**	**3,644**	3,933	4,952
Total gross emissions /tCO2e	**3,209**	**4,443**	4,377	5,786
Energy consumption[2]: emissions / kWh	**2,069,380**	**2,989,588**	2,148,224	3,194,708
Intensity ratio[3]: tCO2e / Average FTE	**4.4018**	**5.1722**	6.1643	6.8558

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.

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.

Due to refining our data collection and validation process in 2024, which resulted in more accurate and granular data, we have made the following amendments to 2023:

- Scope 1 UK gas heating updated amounting to an increase of 5tCO2e;
- Scope 3 UK data centre updated amounting to an increase of 160tCO2e; and
- Scope 3 UK and global business travel updated amounting to an increase of 1,402tCO2e and 1,076tCO2e respectively.

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 729 (2023: 710). This gives a total intensity ratio of 4.4018 tCO2e/FTE (2023: 6.1643 tCO2e/FTE). For global operations we have used an average FTE of 859 (2023: 844).

The UK office refurbishment is set to commence in Q2 2025 with an expected completion of Q4 2026. We therefore only expect to realise the full benefit from energy saving initiatives in 2027.

We optimised travel efficiency from the UK, by consolidating multiple client engagements into singular trips, resulting in a large reduction in Scope 3 business travel.

OUR PEOPLE

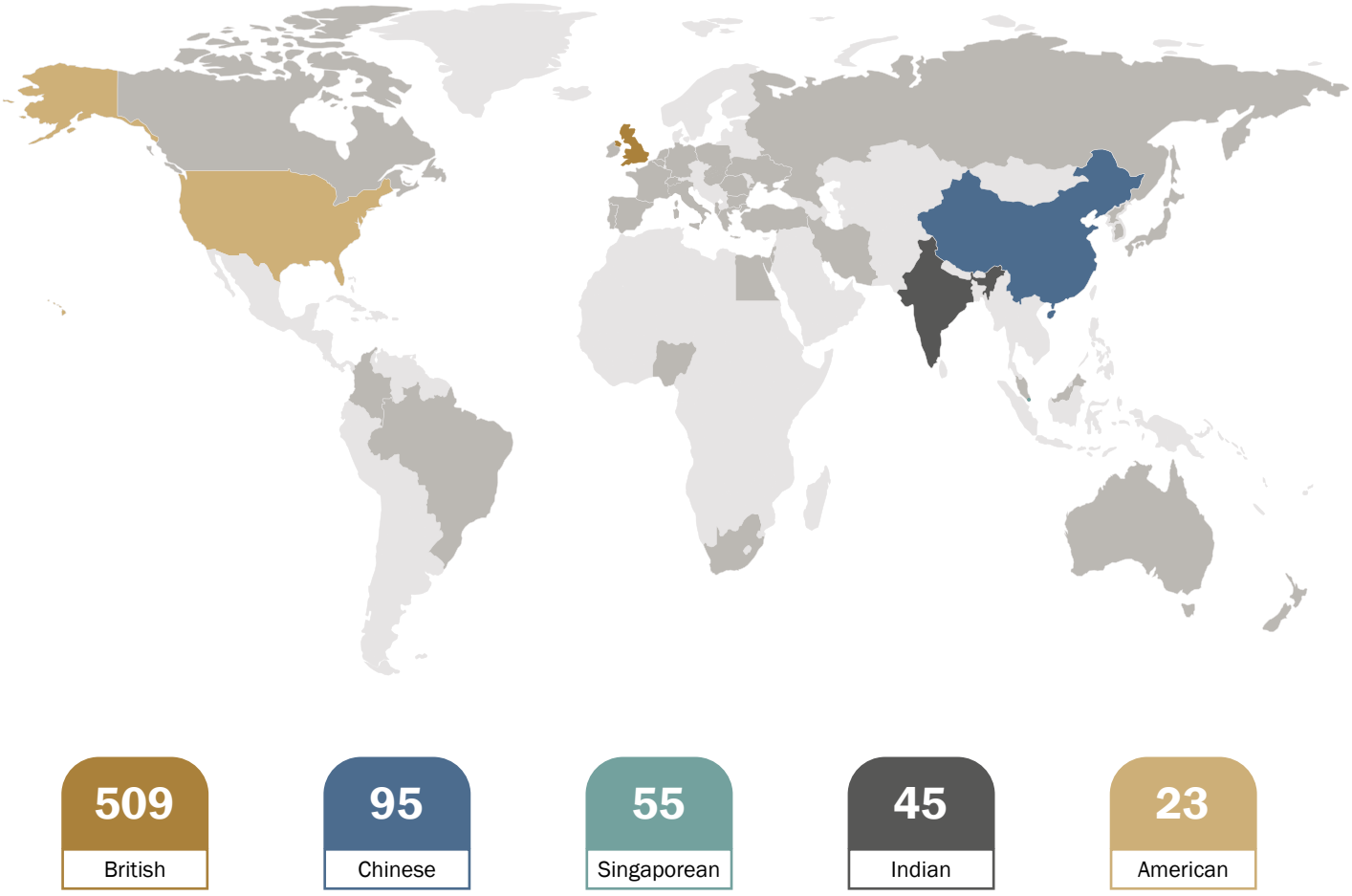
Whilst our sustainability report focuses on climate-related disclosures, as an organisation, we have taken the more holistic view of sustainability which includes monitoring our ED&I related metrics as disclosed below.

ED&I Related metrics

There are over forty nationalities (indicated in dark grey in the graph below) represented in the Bank across all three regions that we operate in.

Our top five nationalities, representing 88% (2023: 85.5%) of permanent and fixed term employees, are shown below, with our highest representation being British followed by Chinese.

Nationalities



Age cohort split by gender and grade

Overall 33.9% (2023: 34.2%) of our permanent and fixed term employees are female. 19.4% (2023: 17.4%) at Director level and above and 32.2% (2023: 33%) at senior manager level.

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

2024

Level	Age	Male	Female	Total[1]	Male %	Female %
Director, Managing Director and Executive Managing Director	Under 30	0	0	**0**	0%	0%
	31-50	101	27	**128**	79%	21%
	50+	57	11	**68**	84%	16%
Senior Manager	Under 30	0	2	**2**	0%	100%
	31-50	102	56	**158**	65%	35%
	50+	33	6	**39**	85%	15%
Manager	Under 30	14	9	**23**	61%	39%
	31-50	70	44	**114**	61%	39%
	50+	23	10	**33**	70%	30%
Staff	Under 30	60	50	**110**	55%	45%
	31-50	64	52	**116**	55%	45%
	50+	22	13	**35**	63%	37%
Total	**Under 30**	74	61	**135**	55%	45%
	31-50	337	179	**516**	65%	35%
	50+	135	40	**175**	77%	23%
		546	**280**	**826**	**66%**	**34%**

[1] Our demographic data is based on permanent and fixed term employees as at 31 December 2024.

2023

Level	Age	Male	Female	Total[1]	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	814	66%	34%

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

ICBC Standard Bank | Financial Markets and Commodities
20 Gresham Street | London EC2V 7JE, United Kingdom

www.icbcstandard.com

20250201-17008-EC-ICBC