



Task Force on Climate-related Financial Disclosures

Extract from the TP ICAP GROUP PLC Annual Report and Accounts 2023

Task Force on Climate-related Financial Disclosures

Statement of Compliance

TP ICAP is committed to continued adoption of, and alignment with, the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). This year, we have carried out a detailed qualitative, and quantitative, climate scenario analysis to improve our understanding of the potential impacts of climate-related risks and opportunities on the Group. The analysis concludes that while climate change is relevant to TP ICAP, its impacts are not considered to be significant under the timeframes and climate scenarios used in the assessment. As such, this year the Group has sought to include details on the approach and analysis to evidence the conclusion, but otherwise is reporting proportionately against the TCFD recommendations and recommended disclosures.

In compliance with the Financial Conduct Authority ('FCA') Listing Rule LR 9.8.6R(8) on climate-related disclosure, we believe the information contained within this report to be consistent with the TCFD recommendations and recommended disclosures, considering aspects of Strategy, and Metrics and Targets, are subject to a materiality assessment. Specifically, we have not provided detail on how climate is considered in business decision-making and planning processes (Strategy C) or disclosed performance against TCFD's cross-industry climate-related categories (Metrics and Targets A). All relevant information is included in this Annual Report.

Disclosure index

Recommendation	Relevant information disclosed	Disclosure location
Governance		
a) Board oversight	> Responsibility for climate change identification, assessment, and management across the Group	65 and 66
b) Management's role	> Examples of discussions and decisions made relating to climate change > Description of how climate features in business processes as relevant, given the potential reputational implications of climate change	65 and 66
Strategy		
a) Climate-related risks and opportunities	> Overview of approach to climate scenario analysis	66
b) The impact of climate-related risks and opportunities	> Identified climate risks and opportunities	68 and 69
c) The resilience of the organisation's strategy	> Progress on climate transition planning and resilience response > Resilience assessment of potential financial impact across climate scenarios, including 1.5°C	71
Risk Management		
a) Identifying and assessing climate-related risks	> Process to identify, assess, and manage climate risks and opportunities	72 and 73
b) Managing climate-related risks	> Overview of how climate is incorporated in Group-wide risk management framework	73
c) Integration into overall risk management		
Metrics and Targets		
a) Climate metrics	> Overview of environmental metrics used as a proxy for climate risk exposure, given that no risks or opportunities are assessed as financially material for the Group	73
b) Greenhouse gas ('GHG') emissions		
c) Climate targets	> Climate commitments to drive the reduction in emissions over time	20, 74

Governance

The Board's oversight of climate-related risks and opportunities

Board responsibilities

The Board has overall responsibility for climate-related risks and opportunities. These responsibilities are set out in the Terms of Reference for the Board, and its Committees. In 2022, we established a Climate Change Planning Framework to ensure that the Board and its Committees could execute their climate change responsibilities. This year, the Board considered our response to climate change, and current and emerging climate-related regulation, as part of the framework.

Board oversight

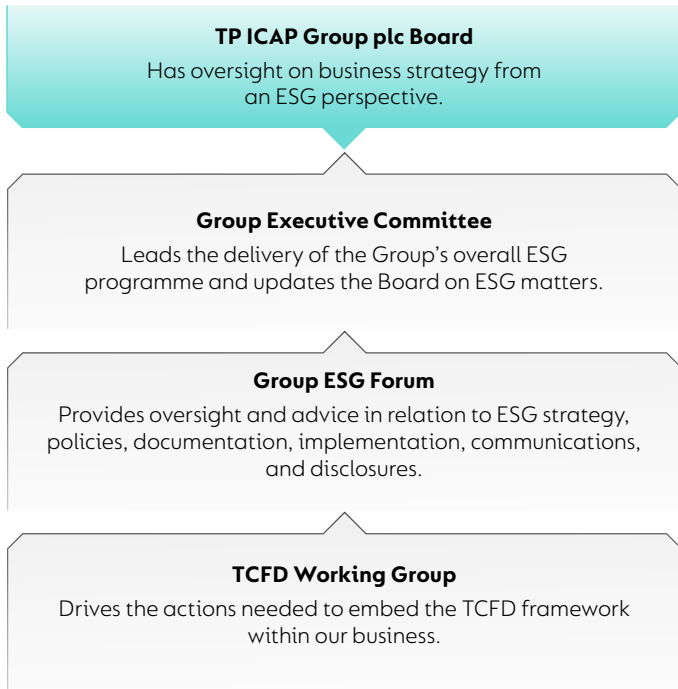
Board-level	Climate change-related responsibilities	Number of meetings in 2023	Decisions and discussion
Board	Overall responsibility for climate-related risks and opportunities; oversight of the Group's response to climate change and associated commitments.	3 reviews, with a further 3 separate high-level updates	<ul style="list-style-type: none"> > Reviewed the Group's plan and approach to undertaking detailed qualitative and quantitative climate scenarios analysis. The findings of the external analysis – the identified risks and opportunities and their potential impacts – were presented to the Board. > Reviewed the progress made towards meeting the Group's climate-related reporting requirements. > Discussion on the Group's emissions reduction plan for Scope 1 and 2 greenhouse gas ('GHG') emissions, and progress towards our carbon neutral target. > Reviewed and approved the Group's 2023 TCFD disclosure.
Audit Committee	The Audit Committee's climate-related responsibilities focus on the Group's adherence to the UK regulations, emerging regulatory requirements in other jurisdictions, and the quality of our climate change data.	3	<ul style="list-style-type: none"> > Reviewed an update on the TCFD preparedness and deliverables plan for the Group. > Discussed an early estimate of the Group's 2023 Scope 1 and 2 emissions; approved the approach to emissions reduction. > Reviewed actions, and recommendations, to improve environmental data quality.
Risk Committee	The Risk Committee's climate-related responsibilities centre around reviewing climate-related risks and the Group's risk management framework on a regular basis. They focused on the climate-related risks and opportunities that have been identified, including the potential financial and strategic impact to the Group, as a result of the in-depth qualitative and quantitative climate scenario analysis work.	2	<ul style="list-style-type: none"> > Discussed the ESG work plan for the year, including actions to address climate-related reporting requirements. > Updated on the Group's mitigation plans for the 'Climate Risk Regulatory Compliance', included in the Group's risk taxonomy. > Reviewed an update on the outcome of the climate scenario analysis, including how the identified risks were integrated into the Group Enterprise Risk Management Framework ('ERMF') and risk taxonomy.
Management	Climate change-related responsibilities	Number of updates in 2023	Decisions and discussion
Executive Committee	The Committee's primary duty is to oversee, monitor and review the Group's climate change strategy and execution, including the embedding of the TCFD deliverables across the Company.	5	<ul style="list-style-type: none"> > Reviewed, discussed, and contributed to papers prepared for the Board and its sub-committees. > A summary of each ESG Forum meeting was discussed by the Executive Committee.
ESG Forum	Responsible for the Group's environment, social and governance impact. This includes overseeing climate-related risks and opportunities to support strategic decision-making; implementing policies, delivery, communications, and disclosures.	6	<ul style="list-style-type: none"> > Reviewed the Group's 2023 workplan, including climate scenario analysis and the Climate Change Planning Framework. > Received regular progress updates on climate scenario analysis. > Reviewed the Group's mid-year Scope 1 and 2 GHG emissions and progress towards the Group's carbon neutrality goal.
TCFD Working Group	Responsible for steering TCFD-related activity across the Group, and ensuring the Group's TCFD disclosure is compliant with the framework's recommendations.	6	<ul style="list-style-type: none"> > Agreed the Group's 2023 TCFD implementation plan, including the completion of detailed qualitative and quantitative climate scenario analysis. > Discussed periodic outcomes from the climate scenario analysis work, as the project progressed. > Ensured climate change considerations were included in the financial planning process, and discussed the potential impacts.

Climate change considerations are included in the annual budget process, which is overseen by the Board. Divisional Chief Financial Officers ('CFOs') report any climate-related financial impact to the Group CFO as part of the annual budget process. For the 2023 budget period, we judged there was no material climate change-related financial impact on our business. We expect the same to be the case for the 2024 budget period.

Management’s role in assessing and managing climate-related risks and opportunities

The management team has a significant role in assessing and managing climate-related risks and opportunities. These responsibilities, and the related discussions and decisions are set out on the table on page 65. All parts of the organisation are aligned to the Company’s response to climate change and are complying with the UK regulatory requirements.

ESG Governance Structure



Strategy

The climate-related risks and opportunities identified over the short, medium, and long term

Our approach

Building on the high-level analysis completed in 2022, the Group conducted a detailed climate scenario analysis exercise to fully assess the climate-related risks and opportunities relevant to our business over the short, medium, and long term. We used a range of climate scenarios, operational geographies, business divisions and time horizons. Climate scenarios have inherent limitations; we have noted the relevant limitations where applicable below.

Our approach to materiality is centred around qualitative and quantitative factors. Our process to determine materiality considers both a) climate trends i.e. how physical and transitional climate issues will manifest in the future, and b) our own business perspective, i.e. how these issues could affect our Company across regions and business divisions. The materiality of the identified risks and opportunities were assessed by our TCFD Working Group as part of the climate scenario analysis process.

Process we adopted

An independent sustainability consultancy, SLR, supported us with this work. Building on last year’s high-level assessment, we applied both qualitative and quantitative factors. We examined the potential climate-related risks and opportunities within all of our business divisions in greater detail. In particular, we reviewed the potential impact on our Energy & Commodities (‘E&C’) division; this is an area where climate-related risks and opportunities are more prevalent.

The qualitative element included desk-based research, interviews with staff, and workshops with the TCFD Working Group and additional senior executives. More than 35 internal stakeholders, including from each business division and support function, were included in this engagement. The outcome was a longlist of potential climate-related risks and opportunities, including the main ones identified in 2022. To consolidate the longlist, we screened for relevance against our defined timeframes and significance to the business. The risks and opportunities were collated into their TCFD-aligned typology groups: transition risks, physical risks, etc.

We held workshops with our TCFD Working Group, and other key stakeholders including senior executives, to assess the potential impacts of the climate risks and opportunities on our business. Through workshop discussion and input from SLR, we ranked these risks and opportunities, accounting for any instances where one of our main geographic locations or a business division could be specifically impacted.

We reviewed our priority risks and opportunities to understand their suitability for quantification. A subset of two risks and one opportunity were identified using a range of factors. These are explained further on page 70.

Scenarios used in our analysis

For transition risks, we used Paris-aligned (1.5°C), middle-of-the-road (2°C) and high-warming (2.6°C) scenarios. For physical risks, our analysis used middle-of-the-road (2°C+) and high (4°C+) warming scenarios. We understand the physical impacts from climate change are more likely to occur in these scenarios.

	Paris-aligned	Middle-of-the-road	High warming
Description	Ambitious early action increases risks associated with low carbon transition but limits the effects of global warming.	Delayed, or late and sudden action resulting in transition-related shocks to society alongside higher impacts from physical risks.	Limited action results in significant warming, and more severe impacts from physical risks.
Temperature	1.4-1.6°C	1.4-2.7°C	2.6-4°C+
Scenario source/ model	<ul style="list-style-type: none"> > Network for Greening the Financial System ('NGFS')'s Orderly Transition including Net Zero 2050 & Below 2°C > International Energy Agency ('IEA') Net-Zero 2050 ('NZE') > Intergovernmental Panel Climate Change ('IPCC')'s SSP1-2.6 	<ul style="list-style-type: none"> > NGFS's Disorderly Transition including Delayed Transition & Divergent Net Zero > IEA Announced Pledges ('APS') > IPCC's SSP2-4.5 	<ul style="list-style-type: none"> > NGFS's Hot House World scenario including Current Policies & Nationally Determined Contribution ('NDC')s > IEA Stated Policies ('STEPS') (2022 issue) > IPCC's SSP5-8.5

Timeframe

As a broking business, we need to remain agile and responsive to markets that are influenced by a range of unpredictable external factors. This affects our ability to plan to traditional long-term timeframes. The time periods we use in our planning processes are therefore in shorter time increments, and anchored in the near term in particular.

We operate according to a short-term timeframe of 0-3 years, the main element being a detailed one-year budget planning cycle. We also use a 0-3-year timeframe for assessing risks, as set out on page 57 of this report. This is the longest-term timeframe that we use in our business planning. It reflects our role as a broker whose activities are market driven.

The high-level climate scenario analysis undertaken in 2022 used short and medium-term timeframes of 0-3 and 3-5 years, respectively. The medium-term timeframe was defined specifically for climate scenario analysis; the business does not have a medium-term timeframe that could be used for this purpose. At that time, we committed to defining a long-term timeframe this year for our detailed climate scenario analysis. We have now defined the long-term timeframe as 5+ years to 2035. This enables us to consider the potential impacts of climate change over the longer term, while balancing inherent uncertainties within climate scenarios as they look further into the future. Our analysis focuses on five-year increments within this timeframe (i.e. 2025, 2030 and 2035) and the intermediate points within. This follows the same approach as the IEA scenarios used in the analysis, where data progresses in five-year steps. The short and medium-term timeframes remain unchanged from 2022.

For the physical risks assessment, i.e. those risks that could impact on physical assets, such as data centres, our long-term assessment timeframe extends to 2050. This timeframe differs to the long-term timeframe we use for transition risks, because there is more information available on physical climate data, and these potential impacts become more prevalent over time.

Qualitative climate scenario analysis

Our qualitative climate scenario analysis confirmed that our business is more predisposed to transition risks and opportunities than physical climate risks. This aligns with the outcome of last year's high-level assessment. Our exposure to physical risks from climate change is low. We lease our office and data centre estate, where the risks are principally owned and managed by landlords. Furthermore, as a broker, we do not lend money or make investments in property or other physical assets.

The assessment established whether any geographic or sectoral nuances existed between our identified risks and opportunities. All the identified risks and opportunities apply to the Group globally, following the global footprint of our operations and client base. The assessment noted some sectoral nuances, as expected, with our E&C business division being the most relevant. Within these asset classes, we looked closely at fossil fuels (including coal), renewables, and the metals and minerals relevant to the low-carbon transition.

Classification	Description of risk and impact	Climate scenario analysis	Plans to monitor and manage risk
Risks			
<p>TCFD taxonomy: Transition market risk</p> <p>Division: Most relevant to E&C</p> <p>Geography: All regions</p>	<p>1. Limited penetration of new asset classes relevant to the low-carbon transition</p> <ul style="list-style-type: none"> > To achieve global climate goals, an uptick in low-carbon markets is expected. There could also be an emergence of new solution providers. > There is a potential for new platforms around voluntary carbon trading, or circular and renewable solutions. > If we fail to respond in line with market shifts, we may experience a decrease in market share. 	<p>We are well-positioned to respond to new market developments due to strong client relationships, and the wealth of data it holds.</p> <p>Most likely to manifest in the medium-long term in transition scenarios, particularly if there is sudden policy action.</p> <p>Our potential exposure is most relevant to E&C which is brokering across these asset classes, but may affect other divisions that interact with these markets, such as Parameta Solutions.</p>	<ul style="list-style-type: none"> > Maintain business agility to respond to client needs. > Monitor trends and engage with clients to understand changing interests in asset classes.
<p>TCFD taxonomy: Transition market risk</p> <p>Division: Most relevant to E&C</p> <p>Geography: All regions</p>	<p>2. Uncertainty in low-carbon market developments</p> <ul style="list-style-type: none"> > A low-carbon transition requires changes to the energy mix to achieve GHG emission reductions. It will also increase demands on minerals and metals to develop low-carbon technologies. > Insufficient and/or sudden implementation of policy can make it difficult to predict how demand across different energy and commodity asset classes might change. > Sunk costs or opportunity costs if the Group does not take advantage of new markets, or it overcommits to a particular market. 	<p>We are seeking opportunities for new environmental and low-carbon asset classes.</p> <p>Most likely to manifest under a delayed or sudden transition scenario in the medium-to-long term, where market signals are unclear.</p> <p>Any potential exposure is most relevant to E&C which is brokering across these asset classes.</p>	<ul style="list-style-type: none"> > Continue engagement across key trading functions, particularly E&C, to stay up-to-date with market trends and speed of change.
<p>TCFD taxonomy: Transition market risk</p> <p>Division: E&C only</p> <p>Geography: All regions</p>	<p>3. Fossil fuel market declines in low-carbon transition</p> <ul style="list-style-type: none"> > As economies continue towards the energy transition, the prevalence of fossil fuels (e.g. coal, oil, gas) will be superseded by renewable alternatives. > As client demand for fossil fuel diminishes, the Group will see a reduction in associated revenues from these asset classes. 	<p>Whilst fossil fuel demand is expected to decline under ambitious and middle-of-the road transition scenarios, it is set to increase in the business-as-usual high warming scenario. Oil is recognised as a critical transition energy and as such this risk is only likely to manifest in the longer term. However, our E&C division has an established market presence across fossil fuels and alternatives, and is well positioned to align its resources with market demand.</p> <p>This risk is only relevant for our E&C division which brokers fossil fuels.</p>	<ul style="list-style-type: none"> > Monitor climate policy announcements to track expected changes in market demand. > Seek new market opportunities in the low-carbon transition, to replace all the main energy sources declining in fossil fuel consumption.
<p>TCFD taxonomy: Transition reputation risk</p> <p>Division: Group-wide</p> <p>Geography: All regions</p>	<p>4. Reputational risk from connection with fossil fuels</p> <ul style="list-style-type: none"> > There is increasing expectation and scrutiny on organisations for the use of, or involvement with, fossil fuels. > If the Group does not keep pace of climate decarbonisation trends, brokerage of fossil fuels could lead to reputational harm. > Reputational backlash from investors may affect share price and access to capital. 	<p>We are aware of increasing scrutiny from wider stakeholders which may become more relevant in an ambitious climate transition scenario.</p> <p>This risk is mostly relevant for our E&C division which brokers fossil fuels, but the potential impact could be Group-wide.</p>	<ul style="list-style-type: none"> > Support the low-carbon transition by seeking opportunities to develop low-carbon solutions and maintain a commitment to minimising GHG emissions. > Engage with clients to understand their decarbonisation plans over the long-term, to assist with our strategic planning.

Classification	Description of risk and impact	Climate scenario analysis	Plans to monitor and manage risk
Risks			
TCFD taxonomy: Transition policy risk Division: Group-wide Geography: All regions	5. Increase in climate disclosure requirements > Regulators and investors are demanding greater transparency on ESG and climate disclosures (e.g. transition plans, materiality etc.). > Responding to current and emerging reporting obligations requires resources to meet compliance requirements, or risks facing fines and further reputational damage.	The Group, and some of its subsidiaries, are already subject to a range of climate-related compliance obligations. New mandates are already emerging which we must respond to. It is possible that further requirements or higher expectations will emerge over time, especially in a low-carbon transition, that will require further resources.	> Continue to monitor climate-related legislation and applicability to the Group and its subsidiaries. > Respond to reporting obligations in a streamlined manner, identifying synergies across mandates to ensure compliant responses with efficient allocation of resources.
TCFD taxonomy: Physical acute risk Division: Group-wide Geography: All regions	6. Increase in extreme weather leading to damage to assets > Gradual changes to climate and extreme weather events are expected to increase in the future. > Costs to replace damaged equipment, or increased costs as a result of higher insurance premiums, if claims are made to replace damaged assets.	While the business has a global footprint, the Group has limited direct exposure to physical climate risks. We operate from a relatively small, leased, office portfolio. The Group has no material exposure to other physical assets (i.e. no vehicle fleet, no manufacturing facilities, etc.) This risk is most likely to manifest in the long term, under a higher warming scenario. Despite the minimal exposure to physical risks, the potential impacts could affect the Group across divisions and geographies.	> Embed climate-related risks into business continuity plans. > Ensure new data centre premises meet our current high-resilience standards.

Classification	Description of opportunity and impact	Climate scenario analysis	Plans to monitor and seize the opportunity
Opportunities			
TCFD taxonomy: Transition products opportunity Division: E&C only Geography: All regions	1. Increase in demand for brokerage of low-carbon commodities > The transition to a low emissions economy will require enormous investment in technologies supporting renewable energy infrastructure and battery storage, for example. > Higher demand for the commodities required for these technologies, or the energy sources themselves, may result in higher revenues if transaction volumes and values increase.	There is already demand for these commodities and other environmental asset classes. It is expected this will only grow in the medium to long term, and would be most significant in transition scenarios where demand for low-carbon solutions is higher. This opportunity is most relevant to E&C which brokers these commodities.	> Leverage existing client relationships to identify opportunities to broker low-carbon solutions. > Monitor trends and engage with clients to understand changing interests in asset classes.
TCFD taxonomy: Transition products opportunity Division: Parameta Solutions Geography: All regions	2. Increase in demand for data associated with low-carbon solutions > Low-carbon and environmental asset classes are expected to become more prominent in a low-carbon transition. > Demand for data on these asset classes will grow in importance in a similar way, alongside indices and benchmarks. > Higher demand for data, indices and benchmarks is expected to drive increased revenue for Parameta Solutions.	We are already responding to increased demand, e.g. our recently launched Global Liquefied Natural Gas ('LNG') Pricing Service. The increase in demand for this data is already apparent and is expected to increase over time. This is relevant to Parameta Solutions which is delivering data, analysis and indices.	> Proactively monitor market developments to expand position a major over-the-counter broker.

Quantitative climate scenario analysis

We reviewed our priority risks and opportunities to understand their suitability for quantification. A subset of two risks and one opportunity were identified using a range of factors, including feedback from SLR, internal data availability, and the ability of the relevant climate scenarios to support quantification. The climate impacts selected for quantification included:

- > The potential changes to revenues derived from Energy and Commodities' brokerage as demand for the key asset classes (oil, power, coal, etc.) increases, or decreases, through the energy transition.
- > The potential future costs associated with damage to assets from climate change events which could increase in severity, or frequency, in the future.

Change in demand (risk and opportunity)

The climate scenarios used in our analysis were sourced from the IEA, including ambitious (1.5°C), middle-of-the-road (2°C) and high warming (2.6°C+) climate scenarios. The IEA STEPS 2022 scenario (2.6°C+) is recognised as the 'business as usual' scenario, or the scenario closest to the world's current emissions trajectory. The potential changes in demand for different energy sources, and the commodities relevant to the low-carbon transition, vary between scenarios.

The asset classes included in the IEA scenarios broadly align with those brokered by E&C. The energy, metals and minerals included within the analysis are oil, power (electricity) and natural gas; these three asset classes represent the majority of E&C revenue. The analysis includes coal, which generates a very small portion of total E&C revenue. We also assessed the potential changes in demand for nickel, cobalt, steel, lithium and copper. We do not currently broker across all these asset classes, although the Group is set to launch a new battery metals desk in 2024. They have been included in the assessment to demonstrate how new markets might emerge over time, and under different climate scenarios.

We are asset light; we lease our office premises and do not own or operate a vehicle fleet. We are not an investment bank or a lender with a loan book. Our primary business is brokerage, where volatility is a key driver of revenue generation. As we have progressed through this process, it has become clear that modelling the effects of volatility – particularly volatility caused by climate change – is difficult to do reliably. Following SLR's advice, our modelling uses a revenue-to-demand change ratio of 1:1 to test the impact of the scenarios on this risk and opportunity. This assumes that as demand for a particular energy source or commodity changes, the revenue increases or decreases at an equal rate.

We have selected IEA scenarios based on their relevance to this risk and opportunity. The IEA clearly state that their scenarios are not predictions or forecasts, with each scenario built on a different set of underlying assumptions. SLR believe that we have taken the best possible approach to this analysis based on the data and tools available at this time.

To assess the potential financial impacts, we overlaid changes in demand by asset class with associated 2022 revenues, across the relevant climate scenarios and time horizons. Across all scenarios, total energy demand, and demand for energy and relevant commodities, is expected to change.

In an ambitious climate scenario (1.5°C) the changes to potential energy demand, and demand on each energy source, are at their most pronounced. While demand for fossil fuels decreases, there is significant growth in demand for power (electricity), and for the metals and minerals widely used in low-carbon technologies, such as lithium. Under a middle-of-the-road scenario (2°C), while demand trends move in the same direction as the ambitious scenario, the changes are less significant. In the business-as-usual scenario, demand for oil, gas, and power increases, with oil demand beginning to decline after 2030. However, by 2035, there is still a net increase in oil demand compared to 2022. The analysis also shows increased demand for metals and minerals.

The analysis concluded that the net impact on brokerage revenues is expected to increase modestly in each of the climate scenarios considered, indicating that the opportunity may be greater than the risk.

Physical Risks

In 2022, the Group carried out a risk exposure assessment to understand the potential physical climate-related risks to our office and data centre estate. Most of our sites have low overall exposure to physical climate hazards, even under a high emissions future. The 2023 qualitative climate scenario analysis also confirmed that our exposure to physical climate risks is low. Nevertheless, we included physical risk in our quantitative assessment to give a balanced analysis of the different types of climate-related impacts.

Data centres are a critical part of our operational infrastructure. Ensuring our data centres are resilient to risks, including those arising from climate change, is an important part of our business continuity plans. Our quantitative physical risk analysis looked at ten of our data centres across Asia Pacific, Europe, and the Americas. They are the Group's primary data centres in each region.

We used data from Climate Insights by CLIMsystems – a consultancy which is part of SLR and specialises in assessing the impacts of changes to climates. The Climate Insights tool provides access to the latest climate data showing potential future changes for a range of climate variables at asset-specific locations.

Our physical risk impact assessment modelled the potential impact of asset damage to our primary data centres, driven by a range of climate variables, categorised as follows:

- > Water stress: monthly mean precipitation.
- > Wildfire: Keetch-Byram Drought Index ('KBDI') fire risk.
- > Heat stress: monthly mean temperature, monthly relative humidity, air heatwave delays, cooling degree days, maximum temperature days higher 35°C.
- > Storms: heating degree days, extreme wind speed, extreme precipitation.
- > Floods: mean sea level rise, extreme water level, riverine flood depth.

The analysis focused on the potential future change in climate variables based on global climate models ('GCMs') of the coupled model intercomparison project ('CMIP6') for the periods from 2024 to 2050 with a five-year step under the selected scenarios of SSP2-4.5 and SSP5-8.5. Climate data was provided to SLR/CLIMsystems, which was then correlated to our insured asset values, to provide an annual assessment of the potential value at risk ('VaR') experienced from repair costs for asset damage.

The Group has strong mitigants in place to protect its data centre assets from damage, or from financial losses arising from damage to assets. Taking these measures into account, the analysis concluded that the residual risk to the Group was negligible across all climate scenarios and time horizons.

The impact of climate-related risks and opportunities on our businesses, strategy, and financial planning

The qualitative and quantitative analysis confirms that the Group is not expected to be significantly impacted by climate-related risks. The analysis indicated that we may stand to benefit from climate-related opportunities, given the potential for growth in asset classes relevant to the transition. But, given the range of permutations, and the various assumptions and estimates used in the analysis, we believe this assessment provides a potential sense of direction rather than any definitive, material, opportunity. Maintaining an agile approach across energy, commodity, and capital markets, is central to the resilience of our business. This positions the Group well to mitigate risk and capitalise on opportunities.

The output of the quantitative climate scenario analysis was used to assess the sensitivities on potential impacts to the financial forecasts used in goodwill impairment assessments, and the valuation of the relevant cash generating units ('CGUs'). The assessment concludes that in an ambitious climate scenario, aligning with 1.5°C warming, the potential impacts are not significant or deemed financially material.

Turning to our financial performance, the results of the qualitative and quantitative climate scenario analysis exercise did not indicate a material financial impact to the Group under any of the climate scenarios or timeframes used.

We recognise that climate-related risks are non-diversifiable risks, impacting businesses regardless of their size or sector, and that exposure could change and evolve over time. We are committed to the ongoing assessment of the potential impacts of climate-related risks and opportunities to our business, both through the Enterprise Risk Management Framework ('ERMF'), and with periodic quantitative analysis in line with stakeholder expectations.

We have used the results of the climate change assessments undertaken in the last two years to ensure that any relevant climate-related risks and opportunities are integrated into our ERMF and Risk Taxonomy, and are actively managed. Additionally, we have strengthened our understanding of the exposure of our largest suppliers to climate change (see page 74).

Prioritisation and transition plans

We prioritise our climate-related risks and opportunities through the system of working groups described on page 66 of this report. This year, we have developed our approach to the assessment of climate-related risks and opportunities through the detailed qualitative and quantitative climate scenario analysis, which included a thorough identification and prioritisation exercise (see page 66).

Our approach to transitioning to a low-carbon economy centres around our carbon neutral ambition, and the steps we are taking to reduce the GHG emissions from our operations. The Sustainability section of this report (pages 18 to 29) includes the first iteration of a transition plan. We note the new reporting framework issued by the UK Government's Transition Plan Taskforce, and we are working towards developing and publishing a detailed transition plan in due course.

The resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

We use scenario analysis to inform our understanding of the resilience of our strategy in uncertain climate futures. On pages 66 to 71 we set out the approach we have taken to qualitative and quantitative scenario analysis this year, including the scenario sets used. The tables on page 68 and 69 include a description of our plans to monitor and manage each identified priority climate-related risk and opportunity.

We are not immune from risks stemming from climate change. We generate income through broking. It is key therefore that the Group correctly recognises which elements of the business will grow or decline as clients, the economy and governments adapt to the transition to a low-carbon economy. We keep this under review and will continue to return to it as part of our ongoing commitment to assessing and managing the impact of climate change on our business.

Risk Management

Processes for identifying and assessing climate-related risks

Climate-related risks are identified, assessed, and managed within the overall scope of our Group-wide Enterprise Risk Management Framework ('ERMF').

The ERMF risk assessment process includes:

- > A review of the risks recorded in the Group's Risk Register;
- > A review of the risk appetite framework and risk management requirements, as these relate to climate risks; and
- > An assessment of the Group's current climate risk profile relative to risk appetite.

The Risk function used the output of the detailed qualitative and quantitative climate scenario analysis to inform the risk assessment process as laid out in the ERMF. The results of the analysis were used in risk assessment discussions with risk leads across the business, to understand whether the identified climate-related risks had any direct or indirect impacts to our existing risks. These discussions confirmed that applying climate-related risk considerations to our existing risks has not materially changed the assessment of their risk profile in the short and medium term. We do not foresee any probable climate change-related risk consideration crystallising in the next 12 months that will materially affect our business.

However, in line with the results of our detailed climate scenario analysis, the Group has identified climate-related risks that could lead to a change in risk profile over the longer term. These include potential transition risk impacts to the Group, and more specifically to the E&C division. We will keep these risks under close review. Climate-related risk remains part of the Group's risk taxonomy, which contains the Group's actively managed risks. This ensures the requisite level of visibility for management and governance, as well as external stakeholders.

The Board articulates the overall level of risk the Group is willing to accept for the various risks it faces within its Risk Appetite Statement, including climate-related risks. This includes defining the Group's overall loss tolerance and its targeted level of prudential adequacy. The Risk Appetite Statements are cascaded and operationalised throughout the Group via a framework of risk appetite implementation metrics.

Through the ERMF, the Group principally assesses its risk profile, through the above processes, over a timeframe of the next 12 months. It also seeks to identify any potential changes to its risk profile over the short and medium term. Given that our core business is broking and therefore market-led, the ERMF does not use a long-term timeframe for risk assessment purposes. However, outside of the ERMF, we defined a long-term timeframe of 5+ years, to 2035, to assess climate-related risks. This timeframe is used solely for climate scenario analysis purposes, and is not used in the ERMF.

In 2024, we will continue to identify, assess, and manage our climate risk profile through our ERMF. The Group will also continue to embed the Climate Change Planning Framework and integrate climate considerations into BAU management processes and systems.

Process for managing climate-related risks

We manage climate-related risks by incorporating them into our ERMF. This process includes:

- > Logging how the risk has been recorded in the Group's Risk Register – i.e., by amending an existing risk type or defining a new risk;
- > Detailing how the risk has been incorporated within the Group's Risk Appetite Framework;
- > Outlining key mitigants or controls adopted to manage the risk; and
- > Making a high-level assessment of the risk profile for each relevant risk.

Climate-related risks are reflected in the following risk definitions:

- > Business Continuity and Crisis Management Risk includes the risk that the Group fails to address appropriately physical or transition climate risk impacts on the Group, or third-party infrastructure and business continuity providers.
- > Credit Risk includes the risk that a counterparty defaults due to the direct or indirect impact of physical or transition climate risk.
- > Strategy Design and Implementation Risk includes the risk that the Group:
 - Fails to respond effectively to the impact of physical or transition climate risk on client demand;
 - Fails to address any long-term loss of operability, due to the impact of physical or transition climate risk impacts on the Group, its employees, third-party infrastructure providers or other key suppliers which fundamentally undermines the Group's ability to operate its business models; or
 - Incurs reputational damage caused by a failure to meet stakeholder expectations in relation to ESG strategy and performance (including climate change), leading to key stakeholders being unwilling to deal with the Group (including investors, clients, suppliers and employees).

In addition, the ERMF also includes a specific climate-related risk entitled Climate Risk Regulatory Compliance. This is defined as the risk that the Group fails to comply with current or emerging climate-related regulatory requirements in any of the jurisdictions in which we operate, with potential sanctions for non-compliance including fines, public censure, and associated damage to the Group's reputation. We include "Failure to address climate risk" as a principal risk (see page 59), recognising the potential reputational implications that could result from not meeting stakeholder's expectations in this area.

As part of the ERMF, the Group operates a formal issue management process across the three lines of defence to manage any issues which could materially impact the Group's risk profile. The risk identification process involves identifying a designated senior manager as 'risk lead' for all material risks who has overall responsibility for overseeing the management of that risk across the Group. In determining the appropriate response, the Group will prioritise its remediation activity according to the potential impact of each relevant risk.

How climate-related risks are identified, assessed, managed, and integrated into the organisation's overall risk management

We manage climate-related risks within the scope of our overall existing ERMF. Please see page 55 for more details.

Metrics and Targets

The metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process

We considered the TCFD's cross-industry climate-related metric categories to establish the relevant and proportionate metrics for our reporting. Due to the increased stakeholder interest in climate change, and in particular measurement and management of Scope 1, 2 and 3 emissions, we consider these metrics to be relevant for this disclosure. We also use E&C revenues by asset class as an internal metric for risk and opportunity monitoring. We will keep these metrics under review as we further develop our response to the identified risks and opportunities.

We follow the GHG Protocol in calculating and, where necessary, extrapolating our emissions. We report our corporate emissions under the operational control method. We therefore account for 100% of the GHG emissions where we have operational control. This includes the Group and its subsidiaries.

Building emissions and business travel data was collected as part of SECR compliance covering 1 January 2023 – 31 December 2023. This data covered building energy use, refrigerant use, business travel and waste.

Purchased Goods & Services emissions and global train travel emissions were calculated using the environmentally extended input-output ('EIO') table method based on emissions per GBP spend. We measure, and report, our emissions for Scope 1, 2 and five of the 15 Scope 3 GHG emission categories. We do not report on 10 out of the 15 Scope 3 GHG categories because they are either not material, or not relevant, to our business. The services we provide – for example, trade execution and advisory – do not generate their own emission streams. Therefore, emissions from Downstream and Upstream Distribution and Transportation, and Processing, Use or End-of-Life Treatment of Sold Products are not relevant. Our business does not operate on a franchise model, and, as a broker, we do not lend money or make investments. As a result, we do not disclose any emissions in either the Franchises or Investments Scope 3 sub-categories.

Scope 1, Scope 2, and Scope 3 GHG emissions

Our total emissions equalled 57,723 tCO₂e. This equates to a 1% reduction compared to the previous year. Notably, we reduced our Scope 1 and Scope 2 emissions by 20% year-on-year. 67% of our total emissions stem from Scope 3 Purchased Good & Services.

We took steps to improve our environment data collection and management processes. We migrated our environment data, including all aspects across Scopes 1, 2 and 3, waste and water consumption, to a software-based platform which enables us to track consumption and emissions at regular intervals. This new approach has improved our engagement with landlords and other service providers, and our ability to detect and rectify variances in consumption.

Other metrics

We have assessed our sensitivity to carbon pricing to understand the relevance and applicability of potential carbon costs directly and indirectly on the Group. This assessment considered the current and potential changes to carbon pricing mechanisms, and any potential impact on the Group. The Group is asset light and does not conduct emissions-intensive business operations. We are not subject to a carbon tax and given our small emission profile, and we do not expect to be subject to a tax in the future. Incremental increases in the cost of procured goods and services are also not expected to be material. Based on this assessment, we conclude that the Group is not sensitive to carbon pricing.

Performance-related metrics are included in the Company's remuneration approach for Executive Directors for the execution of key deliverables, regulatory or otherwise, in relation to climate change. Their bonus is determined 70% based on financial performance and 30% based on performance against a scorecard of non-financial objectives. The attainment of certain ESG targets is assessed as part of the non-financial element of the bonus.

Targets used to manage climate-related risks and opportunities, and performance against these targets

Scope 1 and 2 – Target and roadmap

To help meet the net zero ambition set by the UK government, our absolute emissions target is to be carbon neutral across both Scope 1 and Scope 2 emissions by the end of 2026.

On Scope 1 and 2, we continue to make progress with emissions reducing 20% in the year. This performance has been driven by our ongoing office and data centre consolidation programme, which is a core element of our emissions reduction strategy (see page 20 for further detail). Our focus between now and the end of 2026 is to a) continue with our office and data centre consolidation, and b) implement actions to promote energy efficiency, including working with our landlords.

Scope 3

Emissions from Purchased Goods & Services, or our supply chain, remain the most material element of our carbon footprint. We recognise the importance of deepening our understanding of the sources of these emissions, and working with our suppliers to reduce them.

Building on the progress made last year to incorporate actual emissions from our supply chain in our footprint, this year we have increased our supplier engagement from 30 to 50 of our largest suppliers by spend. This represents around 65% of our total supplier spend for 2023. The balance of our annual spend is spread across a long tail of smaller suppliers.

We have engaged these core suppliers by issuing questionnaires to gather their relevant data and action plans for addressing their emissions. 32% of the suppliers we contacted responded. Where actual emissions were provided, these were included within our Scope 3 Purchased Goods & Services reporting for 2023. The remaining emissions in this category were calculated using a spend-based methodology.

Our core suppliers are at different stages of their reporting journeys, and we have not engaged the entirety of our supply chain. We will continue to engage with them to, a) pursue a better-quality Scope 3 emissions footprint and, b) develop a deeper understanding of their plans to address their emissions. We note, however, that nine of our top ten suppliers have published commitments to be net zero by 2050. Against this backdrop, we have no plans to set a Scope 3 emissions reduction target at this time, and will continue to engage with our key suppliers about their net zero plans.

Carbon emissions

	Total		Global		AMER		APAC		EMEA	
	2023	2022 ¹	2023	2022	2023	2022 ¹	2023	2022	2023	2022 ¹
Scope 1 t/CO ₂ e	1,442	2,026								
Of which from Fuel Consumption	1,288	1,535			1,074	1,215	-	-	214	320
Of which from Fugitive Emissions	155	492			83	-	-	-	72	492
Scope 2 (location-based) t/CO ₂ e – Purchased Electricity, Heat or Steam	6,182	7,512 ¹			3,176	3,800	1,922	1,921	1,085	1,791
Scope 2 (market-based) t/CO ₂ e – Purchased Electricity, Heat or Steam	5,998	-			3,147	-	1,935	-	916	-
Scope 3 t/CO ₂ e	50,099	48,561								
Of which Purchased Goods & Services (incl. Capital Goods)	38,583	38,549	38,583	38,549	-	-	-	-	-	-
Of which Fuel & Energy	2,258	2,819			1,278	1,676	578	472	388	671
Of which Waste Disposal	2,052²	89			1,190	34	523	16	340	39
Of which Business Travel	3,344	2,146	63	-	796	639	992	557	1,492	950
Of which Employee Commuting	3,876	4,959			1,518	2,648	1109	1,188	1,247	1,123
Total t/CO ₂ e	57,723	58,099 ¹	38,646	38,548.9	9,115	10,012	5,124	4,154	4,838	5,386

1 We have restated our 2022 Scope 1 and 2 emissions following the provision of better quality data for the reporting period after year end.

2 This year we have changed our methodology for calculating emissions from waste disposal. We have used data from the Global Real Estate and Sustainability Benchmark ('GRESB') for mid-offices to estimate emissions where actual data was not available. This approach aligns with current best practice.

An independent third party has calculated the above greenhouse gas emissions estimates to cover all material sources of emissions for which the Group is responsible. The methodology used was that of the 'Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (revised edition, 2015)'. Responsibility for emissions sources was determined using the operational approach. All emission sources required under the 'Companies, Partnerships and Groups (Accounts and non-financial reporting) Regulations 2016' are included.

Energy consumption ('SECR')

	Current reporting year 1 January 2023–31 December 2023		Comparison reporting year 1 January 2022–31 December 2022 ¹	
	UK	Global (excluding UK)	UK	Global (excluding UK)
Energy consumption used to calculate Scope 1 emissions (kWh)	1,110,505	5,983,697	1,625,960	6,781,895
Energy consumption used to calculate Scope 2 emissions (kWh)	4,010,312	15,205,266	7,035,901	15,957,151
Energy consumption used to calculate Scope 3 emissions (kWh)	5,744,540	6,756,708	2,614,954	5,969,685
Total energy consumption based on the above (kWh)	10,865,358	27,945,671	11,276,814	28,708,730
Intensity ratio: tCO ₂ e (gross Scope 1,2,+3) per employee	2.06		2.24	

1 We have restated our 2022 Scope 1 and 2 emissions following the provision of better quality data for the reporting period after year end.

The above table and supporting narrative on page 20 summarise the Streamlined Energy and Carbon Reporting ('SECR') disclosure in line with the requirements for a quoted company, as per The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The disclosure also extends beyond the scope of a quoted company and includes emissions and energy consumption from business travel via air and taxi (Scope 3).

TP ICAP Group plc

Registered office
22 Grenville Street
St Helier
Jersey
JE4 8PX

UK and EMEA Headquarters
135 Bishopsgate
London
EC2M 3TP
United Kingdom

www.tpicap.com