Sustainability Investor Day

22 September 2021

FORWARD Sustainability
AGENDA

1. Overview of Sustainability at CIMB
2. Sustainability from the Board Perspective
3. Deep Dive 1: Creating Positive Impact Through Sustainable Finance
4. Deep Dive 2: Managing Sustainability and Climate-related Risks
5. Q&A
OVERVIEW OF SUSTAINABILITY AT CIMB

Dato’ Abdul Rahman Ahmad
Group Chief Executive Officer

- Context and Overview
- Our Updated Commitments
- Governance and Delivery
CIMB AT A GLANCE

Our Purpose
To build a high performing sustainable organisation to help advance customers and society

One of ASEAN’s Leading Banking Groups
Among the largest Asia-based Investment Banks
One of ASEAN’s Largest Retail Branch Networks
World Leader in Islamic Finance
Sustainability Strategy Formulation
• Held first round of stakeholder engagement and to identify material issues
• Embedment of sustainability into core business strategy

Establishing Sustainability Fundamentals
• Founding signatory to the UNEP FI Principles for Responsible Banking
• Established the Group Sustainability Department, Council, and sustainability policies

Enhancing Sustainable Financing
• Committed to phase out from the coal sector by 2040
• Launched the Green, Social, Sustainable Impact Products and Services Framework (GSSIPS)

Deepening Commitments
• Linked top management compensation to sustainability KPIs
• Announced sustainability scorecard and metrics
• New announcements today

2007
CIMB Foundation launched
• Drive our Corporate Responsibility and philanthropic programmes

2018

2019

2020

2021

2024 Target
Global Top Quartile
WHY IS SUSTAINABILITY SO IMPORTANT TO US
We play a pivotal role as a financial institution to create and maximise net positive impact for our stakeholders

Our Values
Simply the right thing to do – achieving a balance between our people, planet and profit
Our purpose is to build a high performing sustainable organisation to help advance customers and society

Our Business
Protects enterprise value - global financial assets are at serious risk of loss from climate change
New market and business opportunities such as transition finance

Our Influence
Financing is central to facilitate sustainable development and a just transition to a low carbon economy
Catalyse and encourage clients towards responsible business practices and lifestyles

Our Stakeholders
Important to our stakeholders, including investors, regulators, customers and employees
**Vision**

*To be the leading focused ASEAN bank*

**Overall Purpose**

*To build a high performing sustainable organisation to help advance customers and society*

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### Strategic Themes

<table>
<thead>
<tr>
<th>Delivering Sustainable Financial Returns</th>
<th>a) Reshape portfolio</th>
<th>b) Drive cost efficiency</th>
<th>c) Digitise for value</th>
<th>d) Focused investments</th>
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<tbody>
<tr>
<td></td>
<td>• Accelerate profitable growth</td>
<td>• Reset cost base</td>
<td>• Strengthen technology</td>
<td>• Facilitate intra-ASEAN wholesale</td>
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<td>• Fix &amp; turnaround underperforming businesses</td>
<td>• Tighten expense management</td>
<td>• Digitise &amp; automate front &amp; back office</td>
<td>• Preferred &amp; wealth</td>
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<td>• Increase productivity</td>
<td>• Focus on data &amp; analytics</td>
<td>• CASA, fee income and transaction banking</td>
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<tr>
<th>Disciplined Execution</th>
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<td></td>
<td>• Performance culture</td>
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<td>• Simplify corporate, oversight &amp; management structure</td>
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<td>• Regional operating model</td>
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<th>Customer Centricity</th>
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<td></td>
<td>• Strengthen reliability</td>
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<td>• Transform Customer journeys</td>
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<td>• Treat customers Fairly</td>
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<tr>
<th>Transform Fundamentals</th>
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<td></td>
<td>• Risk management</td>
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<td>• Capital optimisation</td>
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<td>• Finance &amp; Compliance</td>
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<th>Purpose-driven organisation</th>
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<tbody>
<tr>
<td></td>
<td>a) Culture &amp; Values</td>
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<td>b) Human capital</td>
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<td>c) Sustainability</td>
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**SUSTAINABILITY IS INTEGRATED INTO OUR BUSINESS STRATEGY**

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**FORWARD 23+**

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**Purpose**

*driven organisation*

*To build a high performing sustainable organisation to help advance customers and society*
We have an outsized impact through the work we do with our clients.

**THE GROUP**

Sustainable Action

How we embed sustainability principles in all our business operations and processes to reduce our negative impact such as carbon footprint and generate positive impacts through our business.

**OUR CLIENTS**

Sustainable Business

How we generate business profits in a responsible manner, creating net positive impact through the products and services we provide, and by assisting and encouraging our customers and clients on their own sustainability journeys.

**SOCIETY**

Corporate Social Responsibility

How we use a portion of our profits to enhance and contribute towards sustainable long-term positive impacts in the communities around us.

**Governance and Risk**

How we govern and report sustainability risks at CIMB, including setting targets and tolerance levels, and how we organise and mobilise ourselves for best results.

**Stakeholder Engagement and Advocacy**

How we champion, engage, build capability and capacity, raise awareness and drive participation for sustainability, both internally and externally.
OUR APPROACH TO SUSTAINABILITY

Strategic philosophy

Integrate economic, environmental, and social considerations in all business decisions
e.g. Prevent and minimise environmental harm, respect human rights, as well as promote social equality and equity

How we create impact

Reduce Footprint
(minimise negative impact)

E.g. Review suppliers’ ESG compliance

E.g. Assess and reduce energy & waste

E.g. Limit/phase-out negative ESG impacts from financing

Increase Handprint
(create positive impact)

Sourcing

E.g. Build capacity of suppliers’ for positive E&S performance

Operations

E.g. Promote diversity and inclusion in our workforce

Products and Services

E.g. Introduce positive impact products and solutions;
Support SMEs & social enterprises, vulnerable customers

Partnering with others in the ecosystem

Engage actively and openly with our stakeholders;
Support and be guided by internationally-recognised principles

E.g. Raise awareness to promote responsible behaviour, actively engage and partner with peers and cross-sector stakeholders to generate impacts (CEO Action Network)
**OVERVIEW OF SUSTAINABILITY AT CIMB**

*Dato’ Abdul Rahman Ahmad*

*Group Chief Executive Officer*

- Context and Overview
- Our Updated Commitments
- Governance and Delivery
### Our existing commitments

- 10% reduction of Scope 1 & 2 GHG emissions from 2019 baseline
- RM10 billion Green, Social, Sustainable Impact Products and Services (GSSIPS) loan/financing
- Implement Taskforce on Climate-related Financial Disclosures (TCFD) recommendations (in 2023 SR)
- CCCA commitment to set targets for carbon intensive sectors by 2023
- No new coal, and commitment to exit coal by 2040
- Average 2 volunteer hours per employee

### Benchmarking Study

- Compared and analysed other banks’ commitments
- Conducted industry benchmarking

### Feasibility Study

- Determined CIMB’s current state (where available) and assess paths to delivery
- Assessed feasibility to achieve commitments based on existing capability, resources and time

### Revised commitments

- Socialised targets internally for input, feedback and approvals
- Finalised and communicated revised commitments
COMMITMENT 1: TRANSITIONING TO NET ZERO

Headline Commitment

Achieve net zero operational GHG emissions (Scope 1 & 2) by 2030

Achieve Net Zero GHG by 2050

Our Plan

- Develop a **targeted plan to accelerate transition to Net Zero**, covering five strategic areas, i.e. Governance, Risk Management, Client Solutions, Operations, and Transparency & Partnerships.

- Align **financed emissions** arising from our clients to achieve Net Zero by 2050.

- Signatory to Net-Zero Banking Alliance (NZBA) and official supporter of TCFD.
COMMITMENT 2: MINIMISING HARM

Headline Commitment

No financing of new coal and to exit coal by 2040

- No Deforestation, No Peat
- No Exploitation

Our Plan

Prohibit asset-level or general corporate financing for new thermal coal mines and coal-fired power plants, as well as expansions, except where there is an existing commitment.

Implementation on NDPE commitments starting mid-2022 in Malaysia and to be phased in across other geographies.
COMMITMENT 3: MAXIMISING POSITIVE IMPACTS

Mobilise RM30 billion towards sustainable finance by 2024

**Headline Commitment**

**Our Plan**

- **Corporate Banking and Commercial Banking**
  - Financing and supporting our clients as they transition to a low carbon economy, assisting clients with their funding needs

- **Investment Banking, Treasury & Markets and Private Banking**
  - Facilitating and arranging for bonds/sukuk, launching ESG Structured Products and ESG Funds for clients to invest in

- **Consumer Banking**
  - Supporting our B40 and vulnerable retail clients, and encouraging those who can to transition to a more sustainable lifestyle

Via our Green, Social, Sustainable Impact Products and Services (GSSIPS) framework to facilitate a just transition to a low-carbon economy and promote an equitable society
COMMITMENT 4: CREATING SOCIAL IMPACT

Headline Commitment

Invest RM150 million over 5 years and 100,000 hours annually by 2024 in employee volunteerism activities to positively impact lives, communities and businesses.

Our Plan

To **enrich communities** around us with initiatives and interventions that are impactful in 4 key impact areas:

- **Education**
- **Economic Empowerment**
- **Health and Community Wellbeing**
- **Climate and Environment**
SUMMARY OF CIMB’S SUSTAINABILITY COMMITMENTS

Be a sustainability leader in ASEAN
Top quartile of the Dow Jones Sustainability Index (DJSI) by 2024

1. **Climate Change**
   - Achieve net zero operational GHG emissions (Scope 1 & 2) by 2030
   - Achieve Net Zero GHG by 2050

2. **Responsible Banking**
   - No financing of new coal and to exit coal by 2040
   - No Deforestation, No Peat, and No Exploitation commitments

3. **Social Impact**
   - Invest RM150 million over five years, and 100,000 hours annually in employee volunteer activities to proactively impact lives, communities and businesses

   - Invest RM30 billion towards sustainable finance by 2024

   - Achieve net zero operational GHG emissions (Scope 1 & 2) by 2030
   - Achieve Net Zero GHG by 2050
OVERVIEW OF SUSTAINABILITY AT CIMB

Dato’ Abdul Rahman Ahmad
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- Context and Overview
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TO DELIVER, WE HAVE FORMULATED A ROBUST SUSTAINABILITY GOVERNANCE FRAMEWORK

**Group Board of Directors**
- Ultimate accountability for all sustainability elements including climate change
- Sustainability elements embedded into Audit Committee, Board Risk and Compliance Committee, Group Nomination and Remuneration Committee terms of reference

**NEW**
- Dedicated committee established in September 2021 to provide more focused, detailed and frequent steer on strategic sustainability matters, including our climate change strategy

**Group Sustainability & Governance Committee**
- Rigorous governance of sustainability programme implementation under Forward23+
- Endorses key sustainability decisions, including strategic plans, policy and sector requirements
- Oversees sustainable business growth, approves and reviews non-credit high sustainability risk cases and acts as the Governing body for sustainability bond assets

**Group Transformation Council**
- Subject-Matter Expert teams in Malaysia, Indonesia, Singapore, Thailand, and Cambodia with representatives in Vietnam and the Philippines
- Drives execution of initiatives across the all sustainability pillars in partnership with other units

**Group Sustainability Council**
- Multidisciplinary project teams working on business/product development (e.g. SLLs, green products, ESDD), risk (e.g. TCFD, stress testing) and others (e.g. Compliance, HR)
- Sustainability Champions identified in key business units regionally.

**Group Sustainability Division**
- Oversees sustainable business growth, approves and reviews non-credit high sustainability risk cases and acts as the Governing body for sustainability bond assets

**Business Units and Enablers**
- Multidisciplinary project teams working on business/product development (e.g. SLLs, green products, ESDD), risk (e.g. TCFD, stress testing) and others (e.g. Compliance, HR)
- Sustainability Champions identified in key business units regionally.
CIMB is a founding member and the first ASEAN signatory

**Commitment:**
- Commit on the six Principles that align banks with the SDGs and the Paris Climate Agreement
- **Collective Commitment to Climate Action (CCCA) and Net-Zero Banking Alliance:** Committed to align our portfolios in accordance with the targets set by the Paris Agreement

We are an official supporter of TCFD. By 2023, we are committed to fully align with TCFD principles along with following pillars:
- Governance
- Strategy
- Risk Management
- Metrics and Targets

Actively engaged in 4 sub-committees of the JC3, a collaborative platform for building climate resilience within the Malaysian financial sector

**CIMB is Steering Committee member and Working Group Chair**

**CAN Commitments: Level 2**
- Proposed at The Cooler Earth Summit 2019
- CIMB is Steering Committee member and Working Group Chair
- **Set target for female representation in key management**
- **Conduct human rights risk assessment, including child/forced/compulsory labour across operations and value chain by 2023**
- Full alignment with TCFD recommendations by 2023
CONCLUSION ON OUR RATIONALE AND APPROACH

- We recognise **our responsibility** towards a better common future
- As a financial intermediary, we have a significant role to play in:
  - **Maximising positive impacts** (our handprint),
  - **Minimising harm** (our footprint)
- We have put in place **clear, measurable, and time-bound commitments and targets**

Diving deeper into how we will deliver our commitments:

- **Tech Su Yin**
  - **Sustainability from the Board Perspective**

- **Gurdip Singh**
  - **Deep Dive 1: Creating Positive Impact Through Sustainable Finance**

- **Luanne Sieh**
  - **Deep Dive 2: Managing Sustainability and Climate-related Risks**
SUSTAINABILITY FROM THE BOARD PERSPECTIVE

Teoh Su Yin

Chairperson of the Group Sustainability and Governance Committee and Senior Independent Director of CIMB Group Holdings Berhad
1. Group Head of Sustainability will double hat as the Malaysian Head
2. BU/BE indicates Business Unit/Business Enabler
DEEP DIVE 1:
CREATING POSITIVE IMPACT
THROUGH SUSTAINABLE FINANCE

Gurdip Singh Sidhu
Group Chief Sustainability Officer
WE EFFECT THE GREATEST IMPACT IN THE WORK WE DO WITH OUR CLIENTS

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How we embed sustainability principles in all our business operations and processes to reduce our negative impact such as carbon footprint and generate positive impacts through our business.

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**SUSTAINABLE FINANCE AT CIMB**

**MAXIMISING POSITIVE IMPACT**

**Key Themes and Focus**
- Our focus is guided by the set of prioritised SDGs that we have identified and integrated into our strategy

**How We Affect Change**
- We affect change via our Products, Services and Advocacy

**Impact We Create**
- The impact we create is derived from how we successfully enable, equip and incentivise our clients

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**MINIMISING HARM**

**Transaction Level**
- Assess every new financing or capital raising request via Basic or Enhanced Sustainability Due Diligence
- Conduct annual reviews of facilities, and monitor for any ESG controversies

**Client Level**
- Assess whether clients have effectively managed and mitigated ESG risks
- Agree time-bound action plans with clients to improve their sustainability performance and to mitigate risk

**Portfolio Level**
- Review risks at the sector and portfolio level, and actively manage portfolio exposure and emissions intensity to align with our Net Zero 2050 goal

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Deep Dive 1: Creating positive impact through sustainable finance

Deep Dive 2: Managing sustainability and climate-related risks
HOW WE AFFECT CHANGE AND RESULTING IMPACT OF OUR EFFORTS

Key themes and focus

- 8 Decent Work and Economic Growth
- 9 Industry, Innovation and Infrastructure
- 10 Reduced Inequalities
- 12 Responsible Consumption and Production
- 13 Climate Action
- 15 Life on Land
- 16 Peace, Justice and Strong Institutions

How we affect change

A. Products

- Provide clients with the tools to accelerate their sustainability progress
  - SME RE Financing
  - SDG Bonds
  - Sustainability linked loans
  - Green homes/hybrid cars preferential financing

B. Services

- Offer assistance to support our most vulnerable customers
  - Debt relief programmes and COVID-19 schemes
  - Affordable financial services for vulnerable segments
  - Enabling differently-abled customers

C. Advocacy

- Knowledge sharing and mentoring programmes for our clients
  - Financial Literacy
  - PFAN
  - GreenBiz Ready
  - MicroBiz Ready

Impact we create

1. Enable new and existing clients to invest and grow in areas that make a difference from an EES lens

2. Incentivise clients to embed positive practices into their business and lifestyles

3. Equip our clients with knowledge and enable them inclusively
**Priority SDGs**

<table>
<thead>
<tr>
<th>Green</th>
<th>Social</th>
<th>Sustainable</th>
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<tbody>
<tr>
<td>Process Improvements</td>
<td>Access to Basic Needs</td>
<td>Connectivity</td>
</tr>
<tr>
<td>Circular Economy</td>
<td>Affordable Housing</td>
<td>Transportation &amp; Connectivity</td>
</tr>
<tr>
<td>Resource Efficiency</td>
<td>Free/Subsidised Education, Technical &amp; Vocational Education &amp; Training</td>
<td>Grid Interconnection</td>
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<tr>
<td>Pollution Control &amp; Prevention</td>
<td>Free/Subsidised Healthcare</td>
<td>Digital Technology, E-Commerce, Internet &amp; Communications</td>
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<td>Green Manufacturing</td>
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COMMITMENT 3: MAXIMISING POSITIVE IMPACTS
Sustainable Finance commitment of RM30 billion by 2024

Mobilise RM30 billion towards sustainable finance by 2024

Our Plan

A Corporates
- Financing and supporting our clients as they transition to a low carbon economy
- Facilitating and arranging for bonds/sukuk, launching ESG Structured Products

B SMEs
- Guiding and developing clients on their sustainability journey
- Catalysing and financing clients growth and needs

C Individuals
- Access and inclusivity for the more marginalised groups
- Incentivisation via differential products and rates
SUSTAINABLE OFFERINGS

For Corporates

- **Green Financing**
  - Financing for *initiatives that provide environmental benefits* e.g. reduce GHG, reduce air / water / land pollution, improved efficiency in land use and resources

- **Sustainability Linked Loans (SLL)**
  - Loans with *interest rebates* tied to achievement of ambitious, predetermined *Sustainability Performance Targets*
  - ~RM1 billion accepted by clients, out of the RM3 billion committed by CIMB in 2020

- **Sustainable Bond/Sukuk**
  - Bond proceeds for *social and/or green activities* e.g. renewable energy, sustainable agriculture, provision of healthcare, or education facilities to mitigate social issues

- **Sustainability Linked Bond/Sukuk**
  - Bond issuers pledge to *improve performance against agreed ESG targets*, success of which is reflected in the coupon paid to investors
  - No specific use of proceeds required

- **Transition Financing/Bond/Sukuk**
  - Support clients in “brown” or high greenhouse gas (GHG) emission sectors to *implement specific transition projects* required to transition towards cleaner options e.g. natural gas-powered cogeneration plant with a clear transition plan to renewable sources
## SUSTAINABLE OFFERINGS

**Corporate clients: Select examples**

<table>
<thead>
<tr>
<th>Products/Services</th>
<th>Sustainability Linked Loan</th>
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<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>Incentivises borrowers to achieve <strong>Sustainability Performance Targets</strong> which are material and additional</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td><strong>RM270 million SLL</strong> with interest rebate based on CDP’s Climate Change Scores</td>
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<tr>
<td><strong>Impact &amp; Outcomes</strong></td>
<td>CIMB had committed RM3 billion from Jan 2020 to Dec 2024 for SLL. As of Dec 2020, <strong>RM970 mil</strong> had been accepted by clients.</td>
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<table>
<thead>
<tr>
<th>Products/Services</th>
<th>Sustainability Bond / Sukuk</th>
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<tr>
<td><strong>Objectives</strong></td>
<td>Instruments where proceeds are used to finance or re-finance a combination of green and social projects or activities</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td><strong>CIMB Bank launched a USD680 million Sustainable Development Goals (SDG) bond in 2019. First-ever Malaysia &amp; ASEAN SDG bond issuance Reg S international capital markets, as well as in the Formosa bond market.</strong></td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td><strong>Gov. of Malaysia USD800M sustainability Sukuk</strong> – first offering by a sovereign whereby underlying assets of the Issuances are based on sustainable assets</td>
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</table>
| **Impact & Outcomes** | As of 2020, CIMB’s SDG Bond enabled:  
- **28,000 retail customers** with income <RM4,360 per month to purchase affordable homes  
- **>3600 new hybrid cars**  
- **5 solar panels** manufacturer/developer/installer |
SUSTAINABLE OFFERINGS
For SMEs

Private Financing Advisory Network (PFAN)
• CIMB is a financing partner to PFAN, who provides coaching to renewable energy, clean technology and energy efficiency project developers

AgTech Chilli Planters Microfinancing
• Microfinancing for farmers in MDEC’s eLadang programme, to fund farmers’ purchase of technologies for better quality harvest and improved productivity

SME Renewable Energy Financing
• Enables SMEs to finance their purchases of solar PV systems with an Industrial Hire Purchase facility. Committed RM100 million to assist SMEs. Max loan amount of RM500,000, tenure 10 years

GreenBizReady
• Facilitates access to sustainability for SMEs through education, assessment and advisory, as well as access to our green ecosystem of government agencies and private organisations

MicroBizReady
• Mentor, and provide education and funding support, to help micro-SMEs navigate business challenges
SUSTAINABLE OFFERINGS
SME clients: Select examples

**MicroBizReady**

**Objectives**
Mentoring and education support to B40 entrepreneurs to facilitate business growth during and beyond the current challenging business landscape

**Details**
- Free e-Commerce training with industry experts
- Access the multitude of business solutions provided by SME Partners
- Cash incentives up to RM3,000 and a free Sponsorship package
- Build necessary skillset to improve digital skills and abilities

**Impact & Outcomes**
Over 160 participants from the B40 community upskilled with knowledge on business and digital tools for their business growth

**GreenBizReady**

**Objectives**
Proposition designed to facilitate access to sustainability services for SMEs through education, assessment and advisory with partners to enable SMEs to be green and sustainability-ready via our green ecosystem

**Details**
- A one-stop solution for Sustainable & Green SMEs
- Provides SMEs with tools and knowledge to start their sustainability journey
- Get training & advisory services via our strategic partners
- Participate in exposure and brand awareness activities with us and our partners

**Impact & Outcomes**
Over 150 companies reached through initiatives with partners such as MATRADE, IMPACTO, SIRIM and PFAN
SUSTAINABLE OFFERINGS
For Individuals

Green and Socially-Responsible Products

- **Green Homes Preferential Pricing**
  - Preferential rates to customers purchasing green residential properties, with RM211 million financing accepted in 1H 2021

- **Green/Hybrid Cars Preferential Pricing**
  - Preferential rates to customers purchasing green/hybrid vehicles, with RM9 million disbursed in 1H 2021

- **EcoSave Savings Account-i**
  - 0.2% of EcoSave balance is contributed by CIMB to green activities, such as conservation initiatives and nature education programmes. RM2.25 million contributed to date

- **ESG Focused Funds**
  - ESG Unit Trusts and investments provided through partners e.g. BIMB-Arabesque i Global Dividend Fund 1, Singular Asset Management SRI discretionary mandate, Principal Global Sustainable Growth Fund
SUSTAINABLE OFFERINGS
For Individuals

Financial Access and Inclusion

OctoSavers Savings Account

- Savings account opened and operated completely online within 10 minutes, removing the need for customers to go to branches, and reducing paper and need for travel (carbon footprint)

- Offer savings account at 4% interest rate p.a, free life insurance coverage and credit facility via GCash’s mobile digital wallet

- >3 million accounts opened as at Dec 2020, with 30% deposit customers formerly unbanked, and 60% their first bank loan

Philippines All-digital Banking Platform

- Assisting B40 customers to purchase affordable homes, with RM1.13 billion disbursed towards this in 1H 2021.

- Products such as Cash Plus Personal Loans and Xpress Cash Financing-I, which enable access to affordable personal financing

Home Ownership for B40

- Affordable vehicle financing packages for B40 customers to purchase cars / motorcycles

Personal Financing for B40

- Products such as Cash Plus Personal Loans and Xpress Cash Financing-I, which enable access to affordable personal financing
## SUSTAINABLE BANKING PRODUCTS

### Individual customers: Select examples

<table>
<thead>
<tr>
<th>Products/Services</th>
<th>Financing for Green Homes</th>
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<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>CIMB encourages our clients to opt for sustainable choices</td>
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<tr>
<td><strong>Details</strong></td>
<td>Clients enjoy <strong>preferential rates</strong> if they purchase homes that have been certified by Green Building Index (GBI), GreenRe, Leadership in Energy and Environmental Design (LEED) or BCA Green Mark</td>
</tr>
<tr>
<td><strong>Impact &amp; Outcomes</strong></td>
<td>In 1H 2021, CIMB clients accepted <strong>RM211 million</strong> worth of green home financing packages</td>
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<table>
<thead>
<tr>
<th>Products/Services</th>
<th>EcoSave Savings Account-i</th>
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<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>A sustainability-focused savings product that enables customers to support impactful environmental conservation and rehabilitation efforts throughout Malaysia</td>
</tr>
<tr>
<td><strong>Details</strong></td>
<td>Structured based on the Islamic concept of Tawarruq, CIMB Islamic commits in contributing 0.2% of total EcoSave portfolio to green activities, such as conservation initiatives and education programmes that help protect the environment</td>
</tr>
<tr>
<td><strong>Impact &amp; Outcomes</strong></td>
<td>&gt;95,000 new EcoSave accounts opened in YTD July 2021. RM2.25 million disbursed to date for mangrove conservation work</td>
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KEY ACHIEVEMENTS IN SUSTAINABLE FINANCE

CIMB is a champion in the ESG space as evidenced by our landmark financing deals and bond/Sukuk issuances in the region as well as through our commitment to global and local partnerships for impact financing.

### Awards & Accolades

- **Best ASEAN Sustainability SRI Sukuk – Corporate (2021)** - Sime Darby Property
- **Best Green Sukuk (2019)** - Republic of Indonesia
- **Social Infrastructure Deal of the Year, Malaysia (2018)**
- **Best SRI Sukuk (2016)**
- **SRI Capital Markets Issue of the Year (2018)**
- **Best ESG Deal (2018)**
- **Malaysian Innovation Deal of the Year (2015)**
- **Social Impact Deal of the Year (2015)**
- **Best SRI Sukuk (2020)**
- **Best Social Impact Islamic Finance House (2020, 2018)**
- **Best Bank for Sustainable Financing in Malaysia (2020)**
- **Best Inaugural Green Bond in Southeast Asia (2018)**
- **Best Sustainable Finance Deal in Southeast Asia (2017)**

Via our chairmanship/presidency in industry bodies such as the MIBA DCM committee spanning 18 years and its current representative for the Malaysian Green Finance Initiative Steering Committee and Malaysian Sustainable Finance Initiative Committee, the Financial Markets Association Malaysia and the Asia Pacific Loan Market Association (Malaysia), we continue to champion the growth of the local capital markets and ESG initiatives, thus contributing to its renowned status as the third largest bond market in Asia ex-JP.
DEEP DIVE 2: MANAGING SUSTAINABILITY AND CLIMATE-RELATED RISKS

Luanne Sieh
Head of Group Sustainability

• Managing E&S risks at the transaction and client level
• Our climate strategy and managing climate risks at the portfolio level
SUSTAINABILITY RISK INTEGRATION INTO GROUP FRAMEWORK

A material risk, integrated into the Group Enterprise Wide Risk Management Framework

Risk of financial and non-financial impact arising from EES issues stemming from transactions and/or activities associated with:
- a business relation and its operations; and/or
- the Group's own internal operations and employees

**Sustainability Risk**

- Credit Risk
- Market Risk
- Operational Risk
- Technology Risk
- Fraud Risk
- Strategic Risk
- Reputational Risk
- Model Risk
- Liquidity Risk
- Shariah Non-Compliance Risk
- Enterprise-wide Risk

**Economic/Ethical Risk**

- Employee Conduct Risk
- Financial Inclusion Risk
- Treating Customers Fairly Risk
- Sustainable Financing Risk

**Environmental Risk**

- Climate Change: Physical Risk
- Climate Change: Transition Risk

**Social Risk**

- Employee Health & Safety Rules Events Risk
- Employee Wellbeing Risk
- Employee Diversity and Inclusion Risk
- Corporate Social Responsibility Risk

**Group Sustainability Policy (GSP)**

Overarching framework and principles to guide our sustainability actions, embedded into business decisions

**Group Sustainable Financing Policy (GSFP)**

Governs our wholesale and commercial banking financing and capital raising transactions

Embedded into P&Ps and SOPs

E.g. product approvals, credit, procurement, facilities management, HR, etc.
CIMB’S SUSTAINABILITY RISK MANAGEMENT FRAMEWORK

Governating and managing our sustainability risks

- **Group Sustainability & Governance Committee**: Offer sustainability oversight and guidance at board level (supported by other board committees)
- **Group Transformation Council & Group Sustainability Council**: Provide strategic direction and management decisions
- **Group Sustainability Division**: Main implementation team, supported by business units/enablers
- **Group Sustainability Policy (GSP)**: Overarching framework for managing sustainability risks associated with CIMB’s business relationships during onboarding
- **Group Sustainable Financing Policy (GSFP)**: Policy on environmental and social risks arising from CIMB’s business financing and capital raising services for clients
- **Portfolio Risk Assessment**: Assessment of the Group’s overall exposure to sustainability risks, in particular alignment to the Paris climate goals (e.g. climate scenario analysis)

**Governance**
- **6-year Sustainability Roadmap**: Guide implementation of various sustainability projects or initiatives group-wide

**Strategy**
- **Risk Appetite Statement**: Establishing risk appetite for high sustainability risk sectors (e.g. coal sector limit)

**Risk Assessment & Management**
- **Sustainability Risk Management Framework**: Integrated into Group EWRM framework. Sustainability risk types are defined in the Group Risk Library

**Risk Monitoring & Reporting**
- **Sustainability Risk Dashboard**: Continual monitoring of CIMB’s exposure to high sustainability risk sectors, activities and clients

**Group-Level Sustainability Scorecard**: Annual and medium-term targets measured, tracked and reported at regular intervals

**Key Performance Indicators**: Embedment of specific Sustainability KPIs on collective scorecards across all divisions and countries, linking sustainability performance to remuneration
DEEP DIVE 2: MANAGING SUSTAINABILITY AND CLIMATE-RELATED RISKS

Luanne Sieh
Head of Group Sustainability

- Managing E&S risks at the transaction and client level
- Our climate strategy and managing climate risks at the portfolio level
GROUP SUSTAINABLE FINANCING POLICY (GSFP)
Mitigating E&S risks at the transaction and client level in our business financing

Scope and Coverage:
- Applicable to both financing and investment banking deals for CIMB’s clients
- Require sustainability due diligence to be undertaken on non-SME borrowers prior to final approval

Key Elements:

**Basic Due Diligence (BSDD)**
- Check of **controversies** related to social and environmental risk
- **Data** from a **third-party intelligence** provider for screening of clients
- Monitoring for ‘**trigger events**’, issues arising throughout the year

**Enhanced Due Diligence (ESDD)**
- **High-risk sub-sectors** always require ESDD
- Sector Guides describe **minimum requirements**, encouraged practices, and prohibited activities
- Multi-dimensional analysis based on **materiality of risks** and controversies
- Engagement with clients on risks and time-bound action plans

**Approvals and Oversight**
- Recommendation made by Sustainability
- High-sustainability risk cases escalated to GEXCO and Board, in the event of non-concurrence

The due diligence process also serves to engage clients on CIMB’s Group Sustainable Financing Policy and allows us to encourage clients to adopt sustainable practices.
ENVIRONMENTAL & SOCIAL RISKS ASSESSED
Risks are assessed based on ‘outbound’ and ‘inbound’ impacts

- High rates of energy use
- Biodiversity loss
- Water scarcity
- Deforestation
- Marine environment
- Waste and pollution
- Climate change
- Human rights and labour issues
- Institutional integrity
- Health and safety
- Negative impacts on communities

Environmental Risks
Social Risks
COMMITMENT 2: MINIMISING HARM
Deepening sustainable finance risk commitments to include NDPE

- No financing of new coal
- To exit coal by 2040

- No new or expansionary thermal coal mining and coal-fired power plants
- Time-bound diversification strategy to reduce share of coal for Coal Fired Power Generation companies
- Exit coal by 2040

NEW

- No Deforestation, No Peat
- No Exploitation

- Support sustainable Palm Oil, requiring MSPO/ ISPO/ RSPO certification
- Starting mid-2022 in Malaysia with Palm and Forestry, and to be phased in across other sectors and geographies:
  - No financing or capital raising facilitation for companies that:
    - are directly involved in new conversion of High Conservation Value (HCV) areas;
    - are directly involved in new cultivation on peat;
    - do not have legal rights and a policy/ commitment on respecting free, prior and informed consent (FPIC) of indigenous and local communities;
    - do not have a policy/ commitment on no exploitation of workers
HIGHLIGHTS OF SECTOR REQUIREMENTS
Instituting key controls for sector-specific issues

Sector Guides

- Palm Oil
- Oil & Gas
- Forestry
- Construction & Real Estate
- Coal

Three categories have been defined to guide CIMB’s decision making process:

- **Expect** – Minimum requirements that clients must meet to have satisfied CIMB’s expectations in terms of environmental and social practices.

- **Encourage/Support** - CIMB strongly encourages clients to adopt these industry leading practices.

- **Prohibit** - CIMB prohibits financing to clients that are involved in these activities (e.g. illegal activities)

Exclusion List

- Illegal activities
- Arms & munitions*
- Casino and gaming*
- Bribery
- Breaches of national labour laws and human trafficking laws

- Illegal logging or uncontrolled fire
- Activities impacting World Heritage Sites*
- Terrorism
- Smuggling
- New thermal coal mines and coal-fired power plants

* Permitted exemptions allowed in limited situations, and with escalated approvals
PORTFOLIO EXPOSURE TO HIGH SUSTAINABILITY RISK SECTORS
Data as at June 2021 across the Group

Palm: 3.0%
- Manufacturing 25.1%
- Trading 7.8%
- Planting 67.1%

Oil & Gas: 2.5%
- Support activities 44%
- Downstream 51%
- Extraction 5%

Forestry: 0.7%
- Trading 10.7%
- Forestry 2.7%
- Wood & Wood Products 27.5%

Coal: 0.9%
- Coal-Fired Power Plants 8.9%
- Trading 11.0%
- Extraction 73.7%

Mining & Quarrying: 0.1%
- Stone, Sand and Clay 46.5%
- Other Metals & Non-Metals 9.7%
- Iron Ores 41.1%
- Tin 1.1%
- Gold 1.7%

Note: Total non-retail loan amount vs. total Group gross loans
EXAMPLES OF CLIENT ENGAGEMENTS
Advocating for change through direct and open communication

<table>
<thead>
<tr>
<th>Sector #1: Logging Companies</th>
<th>Sector #2: Rubber Glove Manufacturers</th>
<th>Sector #3: Oil Palm Planters</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Areas of Engagement</strong></td>
<td><strong>Engagement Outcomes</strong></td>
<td><strong>Engagement Outcomes</strong></td>
</tr>
<tr>
<td>• Clients’ commitment to Free, Prior and Informed Consent (FPIC) principles</td>
<td>• Ensure clients are <strong>not involved in illegal deforestation</strong> and abide by regulatory requirements for logging operations</td>
<td>• Adoption of national certification or international voluntary certification standards</td>
</tr>
<tr>
<td>• Clients’ community engagement efforts with local and indigenous communities</td>
<td>• • • Labour protection and procedure to prevent spread of COVID-19 among workers (mainly migrant workers)</td>
<td>• • • Deforestation, NDPE commitment, HCV assessments</td>
</tr>
<tr>
<td>• Requirements of CIMB’s Forestry Sector Guide</td>
<td>• Clients had taken steps to <strong>improve their labour practices</strong></td>
<td>• • • Labour risk</td>
</tr>
<tr>
<td>• Ensure clients are <strong>not involved in illegal deforestation</strong> and abide by regulatory requirements for logging operations</td>
<td>• • • CIMB to continue to monitor clients’ progress of improvements</td>
<td>• • • Imposition of <strong>time-bound action plans</strong> on clients with incomplete sustainability certification of their plantation holdings</td>
</tr>
</tbody>
</table>
ENHANCED SUSTAINABILITY DUE DILIGENCE OUTCOMES
Case summary as at July 2021

Recommended (87%)
Recommended with Action Plan (12%)
Not Recommended (1%)

Recommended (87%)
Recommended with Action Plan (12%)
Not Recommended (1%)

Recommended (40%)
Recommended with Action Plan (60%)

Recommended (97%)
Recommended with Action Plan (3%)

80% of due action plans completed

No ESDD
100%
DEEP DIVE 2: MANAGING SUSTAINABILITY AND CLIMATE-RELATED RISKS

Luanne Sieh
Head of Group Sustainability

• Managing E&S risks at the transaction and client level
• Our climate strategy and managing climate risks at the portfolio level
THE GROUP

Sustainable Action

- Green CIMB’s own operations and supply chain by reducing and offsetting Scope 1 & 2 emissions

CIMB’s Scope 1 and 2 GHG emissions was 94,800 tonnes CO2eq in 2019

OUR CLIENTS

Sustainable Business

- Increase our handprint on climate financing to support our clients’ decarbonization and transition
- Put in place sector guides to minimise harm at a client and transaction level
- Address residual and hard-to-abate financed emissions through quality offsets

FINANCED EMISSIONS, WHICH FALL UNDER SCOPE 3, ARE USUALLY 700X LARGER THAN SCOPE 1 AND 2 FOR FIS, AND THEREFORE OUR PRIMARY FOCUS

Governance and Risk

- Ensure effective climate governance at board and management levels
- Ensure effective identification and management of climate-related risk & opportunities

Stakeholder Engagement and Advocacy

- Strengthen climate disclosures
- Work with stakeholders to improve industry practices

COMMITMENT 1: NET ZERO OPERATIONAL GHG (SCOPE 1 & 2) EMISSIONS BY 2030 AND NET ZERO BY 2050

Pillar 1

Pillar 2

Pillar 4

Pillar 5
PILLAR 1: OPERATIONAL EMISSIONS
Zeroising GHG Scope 1 & 2 Emissions by 2030

Key levers

1. Long Term Business Changes
   - Operational changes involving reduction of floor spaces in head offices and number of branches

2. Avoid & Reduce Energy Consumption
   - Reduce unnecessary consumption and encourage behavioural change
   - Conduct energy audits and install retrofits (purchased or via Energy Performance Contracting (EPC))
   - Utilise green buildings, where possible

3. Green Energy & RE Certificates
   - Install solar PVs on-site
   - Purchase renewable energy (i.e. corporate PPA)
   - Purchase RECs from asset owners, utility companies or brokers

4. Carbon offsets
   - Offset remaining emissions from operations via purchase of high-quality offsets

Examples of initiatives

- Operational changes involving reduction of floor spaces in head offices and number of branches
- Reduce unnecessary consumption and encourage behavioural change
- Conduct energy audits and install retrofits (purchased or via Energy Performance Contracting (EPC))
- Utilise green buildings, where possible
- Install solar PVs on-site
- Purchase renewable energy (i.e. corporate PPA)
- Purchase RECs from asset owners, utility companies or brokers
- Offset remaining emissions from operations via purchase of high-quality offsets

Estimated reduction emissions
GHG reductions relative to baseline, '000 tonnes

2019 Baseline: 100
Reductions by 2024 (26%): 94.8
Reductions by 2030 (100%): 50.0

Lever 1
Lever 2
Lever 3
Lever 4

Initiatives to green our supply chain to be tackled in Phase 2

- Reduce unnecessary consumption and encourage behavioural change
- Conduct energy audits and install retrofits (purchased or via Energy Performance Contracting (EPC))
- Utilise green buildings, where possible
- Install solar PVs on-site
- Purchase renewable energy (i.e. corporate PPA)
- Purchase RECs from asset owners, utility companies or brokers
- Offset remaining emissions from operations via purchase of high-quality offsets
**Key Steps to Moving Towards Net Zero**

- **Measure** financed emissions
- **Identify carbon intensive sectors** (e.g. coal, agriculture, oil & gas, real estate, automotive, etc.)
- Establish **sector-specific targets** (2030 and 2050)
- Devise and implement **targeted transition pathways** (see levers on the right)
- Manage and monitor **exposure to climate-related risks at the portfolio level**
- Use **carbon offsetting** (removals only) to balance CIMB’s hard-to-abate residual financed emissions
- **Communicate our progress** towards sector-specific targets and Net Zero goal with key internal and external stakeholders

**Examples of initiatives/measures**

- Undertake client engagements, e.g. leverage sector guide requirements such as NDPE to persuade clients to reduce LULUCF emissions
- Offer GSSIPS such as financing for energy efficiency upgrades and installation of renewable energy
- Incentivise RMs to focus on low carbon or green clients and projects
- Review internal risk appetite for green sectors
- Establish sector limits and/or phase-out targets on carbon-intensive sectors (as part of RAS)
- Finance clients that are at Net Zero or on track towards it
- Finance clients and projects that are carbon negative (e.g. nature-based solutions, carbon capture & storage projects)

**Remaining residual emissions to be offset**
PILLAR 4: ASSESSING CLIMATE-RELATED FINANCIAL RISKS

Qualitative climate-related risk assessment

**SOURCES OF RISK**

- **Transition Risks**
  - Policy and Legal Risk
  - Technology Risk
  - Market Risk
  - Reputational Risk

- **Physical Risks**
  - Acute
  - Chronic

**POTENTIAL TRANSMISSION CHANNELS**

- Lower corporate profitability and increased litigation
- Corporate devaluation or premature asset write-downs
- Lower household wealth and higher inflation
- Rising public scrutiny and potential drastic loss of customers
- Reduced, or complete loss of residential and commercial property values
- Operational disruptions resulting in income loss

**CLIMATE-RELATED FINANCIAL RISKS**

- Credit Risk
  - Medium to long term
- Market Risk
  - Medium to long term
- Strategic Risk
  - Medium to long term
- Liquidity and Funding Risk
  - Medium to long term
- Enterprise-wide Risk (Capital Risk)
  - Medium to long term
- Reputational Risk
  - Short, medium to long term

*Note: Short term (<1 year); Medium term (1 – 5 years); Long-term (>5 years)*
### Pilot Project #1: Paris Agreement Capital Transition Assessment (PACTA)
- In collaboration with 2 Degrees Investing Initiative and WWF
- Aims to assess portfolio level transition risks for four sectors, i.e. power generation, oil & gas, automotive, metals & mining
- Scenarios chosen: IEA scenarios, i.e. Energy Technology Perspective, World Energy Outlook

### Pilot Project #2: Transition Check
- An internal analysis using the Transition Check tool developed by UNEP FI, Oliver Wyman and a consortium of banks
- Seeks to evaluate transition risks and potential losses (i.e. portfolio level expected losses, probabilities of default, and losses given default) of CIMB’s clients of a chosen sector
- Scenarios chosen: NGFS scenarios (e.g. Orderly, Disorderly, Hot House World)

### Pilot Project #3: Mortgage / Real Estate Assessment
- Seeks to identify and assess risks to CIMB’s mortgage/real estate portfolio due to physical effects of climate change
- Several tools are being tested and compared (e.g. geographical coverage, types of hazards, costs)
## PILLAR 5: CIMB’S TCFD COMMITMENT & PLAN

*Targeted for full TCFD alignment for annual reports issued for YE 31 December 2023*

<table>
<thead>
<tr>
<th>Component</th>
<th>What Have We Done?</th>
<th>What Needs to be Deepened?</th>
</tr>
</thead>
</table>
| **Governance**   | • Group Sustainability and Governance Committee set up; Board Charter incorporates climate-related responsibilities  
                   • Climate-related matters discussed at top management and board levels  
                   • Scope I & II GHG reduction targets incorporated into collective scorecards | • Consistently communicate & discuss climate change across various board & management committees, e.g. risk dashboard to boards  
                   • Link board & management’s compensation with climate targets  
                   • Ramp up capability building for staff and clients |
| **Strategy**     | • Time horizons for climate-related risks and opportunities identified (short: < 1 year; medium: 1-5 years; long: > 5 years)  
                   • Conducted preliminary qualitative climate risk assessment | • Embark on group-wide climate risks and opportunities assessment (quantitative-based)  
                   • Conduct scenario analysis & stress tests  
                   • Review the resiliency of CIMB’s corporate strategy, taking into account results of climate scenario analysis and stress tests |
| **Risk Management** | • Physical & Transition Risks integrated into EWRM, Group Risk Library  
                   • Climate risks are assessed at transaction/client level as part of GSFP ESDD | • Roll out GSSIPS & BNM Climate Change and Principle-based Taxonomy (CCPT) Asset Identification and Classification Tool  
                   • Evaluate portfolio decarbonisation pathways (e.g. setting of sector targets as part of Risk Appetite Statement updates, increase CIMB’s GSSIPS exposure) |
| **Metrics & Targets** | • Disclosed some data points in SR2020 (e.g. coal exposure, RE financing value, Scope 1 & 2 emissions) | • Disclose risk and alignment metrics and targets, e.g. % green versus brown assets, sustainable finance exposure, financed emissions, etc. |
PILLAR 5: CLIMATE-RELATED PARTNERSHIPS
Joining forces with banks and other partners to advance climate agenda

Commitment to Act and Shared Learning

- Align our lending and investment with a view to limit global warming to well-below 2°C, striving for 1.5°C
- Measure and report emission profile of our portfolios
- Set and publicly disclose long term (2050) and intermediate (2030) targets for carbon-intensive sectors

Measurement of Financed Emissions

- Transition all operational and attributable GHG emissions from our lending and investment portfolios to align with pathways to net-zero by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100
- Measure and disclose GHG emissions of our loans and investments within a period of three years upon signing
- Collaborate with other financial institutions in our region to adapt the PCAF Global GHG Accounting and Reporting Standard to our regional context

Disclosures

- Take action to build a more resilient financial system through climate-related disclosure
- Target for full alignment with TCFD recommendations by 2023
WRAP UP

Gurdip Singh Sidhu

Group Chief Sustainability Officer
KEY ACHIEVEMENTS AND RECOGNITION

We have steadily improved our performance on sustainability indices and benchmarks

2024 Target: Top Quartile globally on the Dow Jones Sustainability Index (DJSI) by 2024

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Percentile Rank (max. 100)</th>
<th>Percentile Rank</th>
<th>ESG Rating (max. 10)</th>
<th>SUSBA score (max. 70)</th>
<th>Sustainalytics ESG Risk Rating (lower is better)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>N/A</td>
<td>N/A</td>
<td>“A” (5.3)</td>
<td>N/A</td>
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<td>2017</td>
<td>19th (31)</td>
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<td>2018</td>
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<td>59th</td>
<td>“A” (7.1)</td>
<td>43</td>
<td>27.5</td>
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<td>2020</td>
<td>Not available yet</td>
<td>64th</td>
<td>Not available yet</td>
<td>19.8</td>
<td></td>
</tr>
</tbody>
</table>

Awards & Recognition

Top 2,000 Most Influential Companies for A Sustainable Future
2020 Best Customer Experience Award

- Best SRI Sukuk 2020
- Best Social Impact Islamic Finance House in Asia 2020 & 2018
- Best Bank for Sustainable Financing in Malaysia 2020
- Best Islamic Bank for CSR, 2019
- Best ASEAN Sustainability SRI Sukuk – Malaysia 2021
- Best Green Sukuk 2019
- Best Social Impact Islamic Finance House in Asia 2020
- Sustainability Reporting Award (Gold)

Developing Biodiversity Category – Winner (CIMB Niaga) 2020
Why and How
Rationale and Approach

- We recognise **our responsibility** towards a better common future
- As a financial intermediary, we have a significant role to play in:
  - **Maximising positive impacts (our handprint),** e.g. allocating capital towards sustainable development, financial inclusion; and
  - **Minimising harm (our footprint),** e.g. encouraging clients to reduce environmental and social harm, reducing our GHG footprint

What
Commitments and Progress

- We have established a solid foundation and have made **significant progress** towards our goal of being a sustainable finance leader
- Accelerating our sustainability initiatives, and **we are committing to:**
  - Achieve net zero operational emissions by 2030 and overall **Net Zero by 2050**
  - Mobilising **RM30 billion in positive-impact sustainable finance** by 2024
  - Putting in place **NDPE requirements** for financing, **phasing out Coal** and more to come
  - Contributing RM150 million over 5 years to **community investments**, and 100,000 hours annually

Who
Working with Stakeholders

- We took a partnership and learn from others approach from the start – e.g. we were the **first in the region** and founder signatory of the PRB with **UNEP-FI**
- We continue to put a lot of effort in **deepening industry collaboration** and joint efforts – example **NZBA** (net zero banking alliance) and **CAN** (CEO Action Network)
- We are deepening **internal knowledge** with comprehensive capability building initiatives for all our employees