Governance and Risk

At CIMB, we are committed to a governance approach that centres on people and the planet. We strive to create lasting value that resonates with everyone we reach, from our shareholders to the communities we interact with. We hold ourselves to the highest standards of transparency, accountability and integrity. For us, banking is a means to empower, to protect and to build – not just wealth, but a world resilient to challenges and ready for the generations that will inherit it.

Our resilient risk and governance systems are rooted in the shared values and norms embraced by #teamCIMB. This is embedded through:

Strong governance systems that are based on transparency, accountability and integrity

An integrated risk management approach that incorporates environmental and social risks, as well as ethical considerations into daily decision-making and operations

Robust policies and processes that ensure strict compliance with corporate ethics, anti-corruption and anti-bribery regulations

Proactive sustainability risk management, including climate, biodiversity and human rights risks, for long-term value creation and that promotes a just transition towards a low-carbon economy

MATERIAL TOPICS	2023 ACHIEVEMENTS
Governance and Ethics	• Improved our S&P Global CSA Governance score by 44% since 2019 • Introduced Tax Machine Learning, significantly enhancing our tax process optimisation and accuracy, thereby reinforcing our commitment to meet tax reporting requirements more efficiently • Implemented Risk Control Units across divisions in Malaysia to strengthen the risk management framework and ensure compliance with regulatory standards. This unit centralises risk oversight, conducts assessments, monitors compliance, enhances controls and encourages ongoing improvements in risk handling
Risk Management and Business Resilience	• Enhanced our Group Risk Appetite Statement to ensure that sustainability and climate-related aspects are considered in business planning and monitoring • Rolled out The United Nations Environment Programme Finance Initiative Environmental and Social Risk Analysis Training programme across Malaysia, Indonesia, Singapore, Thailand and Cambodia
Climate Change: Risks and Opportunities	• Delivered our first group-wide Climate Scenario Analysis proof-of-concept • Strengthened the Group's financed emissions calculation and estimation methodology as well as coverage • Provided RM4.1 billion of green and sustainable financing in 2023, a year-on-year increase of RM1 billion. This is driven by green home and vehicle financing to consumers in our effort to support companies and consumers across the region to decarbonise and build climate resilience
Biodiversity and Ecosystem Integrity	• Engaged with and issued action plans to 17 clients on NDPE since the introduction of NDPE commitment requirements to the Palm Oil and Forestry (including Rubber) sectors • Developed and commenced rollout of our Biodiversity Risk Assessment process as part of our sustainability due diligence on clients across key markets
Human Rights	• Engaged with almost 900 stakeholders (employees, clients and vendors) throughout Malaysia, Thailand and Cambodia to raise awareness of, and promote compliance with, human rights issues • Localised and implemented the Group Human Rights Policy in Thailand, Cambodia and Vietnam[1]

[1] *The Group Human Rights Policy has been localised in Indonesia, and adopted fully in Malaysia and Singapore since 2022.*

GOVERNANCE AND ETHICS

Financial institutions are the backbone of healthy economies, and at CIMB, we stand firm in our belief in responsible banking. We take ownership of our role and proactively champion effective corporate governance. We uphold ethical banking practices founded on the values of transparency, accountability, fairness, integrity and long-term value creation as we continue to chart the course of progressive development, prosperity and resilience for all our stakeholders.

THE BOARD: INDEPENDENT, ACCOUNTABLE AND DIVERSE

Our Board of Directors provides leadership in CIMB's corporate governance, safeguarding the Group's interests and ensuring that we place our stakeholders' interests at the top of our agenda. In providing strategic guidance, management oversight and ensuring accountability, the Board is guided by CIMB's Board Charter, which sets out, among other things, its key roles and responsibilities. These include overseeing the development and implementation of the Group's sustainability framework.

Recognising the pivotal role of Independent Directors in bolstering the Board's effectiveness, we have put in place independence critera to ensure that CIMB's Directors are independent as per regulatory requirements. Details can be found in CIMB's Board Charter, available on our website.

As at 31 December 2023, each independent Non-Executive Director at CIMB is considered to be independent of the Management and free from any significant business or other relationships which can interfere with the exercise of independent judgement or their ability to act in the best interests of CIMB provided that he/she:

- Is not an Executive Director or an officer of CIMB, its subsidiaries or any related corporations of CIMB within the last two years
- Is not a family member of any Executive Director, officer or major shareholder of CIMB or its subsidiaries
- Has not been engaged as a professional adviser by CIMB or is not presently a partner, Director (except as an Independent Director) or a major shareholder, as the case may be, of an entity which provides professional advisory services to CIMB
- Has not engaged in any transaction with CIMB or is not presently a partner, Director or a major shareholder, as the case may be, of an entity (other than subsidiaries of CIMB Group Holdings Berhad) that has been engaged in any transaction with CIMB
- Has not been a partner or employee of CIMB Group's external auditor during the past year
- Must not have a significant business or other contractual relationship with CIMB or any of its affiliates and
- Is not involved in any business or relationship which the Board deems may pose a conflict of interest to CIMB.

The structure of the Board of Directors at CIMB is a one-tier system with a single Board consisting of Independent and Non-Independent Directors. Our Board is composed of members with a diverse mix of skills, backgrounds and experiences, which contributes to more effective and holistic decision-making. The Board's skills, composition and diversity are actively monitored and managed according to the guiding principles in our Board Composition and Skill Set Framework, to help ensure that the Board possesses the right mix of skills and experience.

MALAYSIANS
89%

FEMALE REPRESENTATION
33%

INDEPENDENT DIRECTORS
78%

Governance and Risk

To fortify the overall efficacy of our Board, we have established a rigorous board election process:

- One-third of the Board members are required to retire at every Annual General Meeting (AGM) and be subjected to re-election by shareholders. Newly appointed Directors shall hold office until the next AGM and shall be subjected to re-election by the shareholders, on an individual basis
- The appointment and re-appointment of Directors are subject to Bank Negara Malaysia's vetting and prior approval
- The Board, as recommended by the Group Nomination and Remuneration Committee (GNRC), considers the following criteria in determining the eligibility of the Directors to stand for re-election:
  - The Director's competency in specialised areas of practice and level of contribution to the Board through their knowledge, skills and expertise
  - The level of independence demonstrated by the Directors, and their ability to act in the best interest of the company
  - Probity, personal integrity and reputation, where the Directors must have personal qualities such as honesty, integrity, diligence, independence of mind and fairness
  - Financial integrity, where the Directors must manage their debts or financial affairs prudently
- The GNRC conducts an assessment on the independence of the Independent Directors seeking re-election based on the criteria set in the Board Charter
- The tenure of an Independent Director shall not exceed a cumulative term of nine years

In addition, our commitment to continual improvement is reflected in the Board's annual initiative, with the assistance of GNRC, to conduct an assessment on the Board as a whole, Board Committees and individual Directors ("Board Effectiveness Assessment"). In addition, the Board shall appoint an independent external party to conduct the assessment, at least once every three years.

The Board of CIMB Group Holdings Berhad met 16 times in 2023 (exceeding the requirement of at least six meetings in each financial year), with an attendance of 98% (exceeding the minimum attendance requirement of 75%).

POLICIES THAT GOVERN OUR CORPORATE ETHICS

We have put in place a comprehensive suite of policies to steer our corporate ethics, underscoring our commitment to integrity and responsible business conduct. Beyond mere compliance with regulatory standards, these internal policies shape our organisational behaviour and actively foster trust among stakeholders. This year, we tightened our Group Anti-Bribery and Corruption (ABC) Policy on gifts and entertainment, as well as the implementation of the ABC through the creation of a standardised due diligence checklist as simple guidance for all employees. Building on the Corporate Integrity Pledge signed by the Group CEO and management last year, all employees are now required to sign and submit their ABC Declaration annually.

Code of Ethics and Conduct

Our Code of Ethics and Conduct sets out the standards of behaviour expected of all CIMB employees in their engagement with customers, business associates, regulators, colleagues and other stakeholders. All employees are required to review and acknowledge the Code annually.

Bribery and Corruption

Our Group Anti-Bribery and Corruption Policy governs our approach in tackling bribery and corruption within the Bank. From the most senior leadership of the Board to rank-and-file employees, everyone at CIMB must adhere to all local anti-bribery and corruption legislations, and remain vigilant against wrongdoing, malpractice or irregularities at the workplace. All employees are also expected to immediately report any such instances to the management.

Whistleblowing

Our Group Whistleblowing Policy lays out the process for stakeholders to confidentially report any instances of inappropriate, unethical or unlawful behaviour and practices involving CIMB management or employees.

Financial Crime

Our Anti-Money Laundering and Counter-Financing of Terrorism Policy outlines our approach to counter financial crime. All employees undergo yearly training on safeguarding the Bank and our customers.

Tax Management

Our Tax Policy sets out our approach to responsible tax management. We comply with tax laws and pay all taxes legally due in all jurisdictions in which we operate. We are committed to timely and accurate registration, filing of tax returns and payment of taxes by their due dates, as well as appropriate documentation and tax reporting.

| Corporate Governance: Policies and Statements

| Our Political Contributions

RISK MANAGEMENT AND BUSINESS RESILIENCE

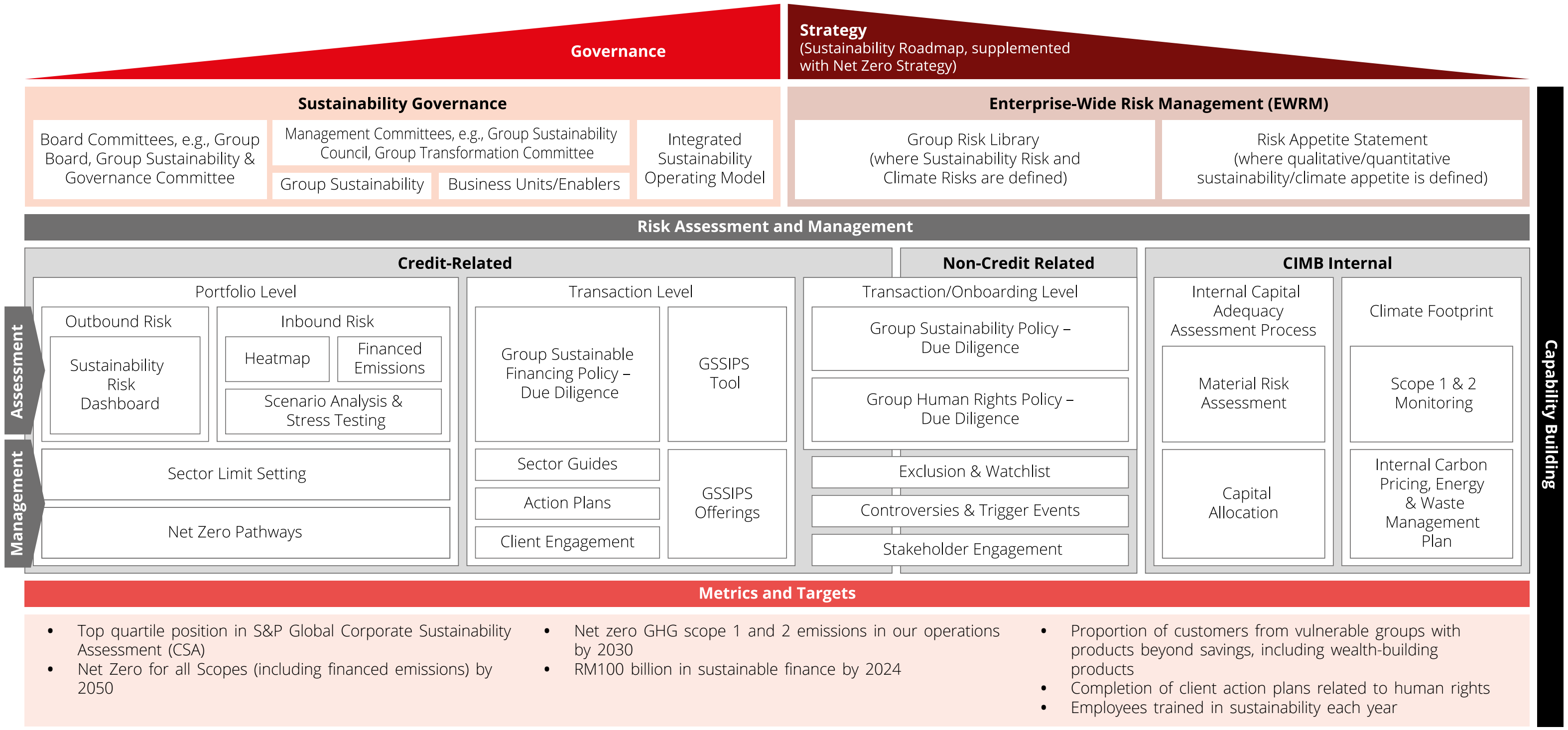
Effective risk management strengthens business resilience, especially during periods of uncertainty. At CIMB, we anticipate risks and take proactive measures to mitigate their effects so that we can respond and adapt quickly to incidents. We are guided by a robust risk management framework to ensure business continuity through four core activities: Risk Identification and Assessment, Risk Measurement, Risk Management and Control, and Risk Monitoring and Reporting. Our goal is to enhance our risk management capability to meet regulatory expectations, safeguard the Bank's interests, as well as those of our stakeholders, and to promote long-term business performance.

ENTERPRISE-WIDE RISK MANAGEMENT FRAMEWORK

Our Enterprise-Wide Risk Management (EWRM) Framework provides an overarching risk management architecture for managing risks across entities and businesses within the Group. It addresses the critical factors involved in effective risk management including risk culture, governance and organisation, risk appetite, risk management processes and risk management infrastructure. We adopt the three-lines-of-defence model in implementing the Group EWRM Framework, which provides clear accountability for risk management across the Group.

Under the Framework, sustainability risk is identified as a principal risk to be addressed, and a cross-cutting risk that may affect other risk types such as credit risk, market risk, liquidity risk and operational risk.

| CIMB Group Sustainability Risk Management Framework



We consider a broad scope of environmental, social and economic or ethical considerations in assessing sustainability risks within our business activities and operations. We recognise that these sustainability risks can also give rise to financial risks for CIMB and the stakeholders that depend on our products and services.

Governance and Risk

ENVIRONMENTAL RISKS CONSIDERED

Climate Change
Business activities that may be impacted by climate change, leading to business disruption and/or negative financial impacts, including:

- Physical risks such as floods, droughts and other extreme weather events
- Transition risks in moving towards a low-carbon economy, such as regulatory changes, carbon pricing and shifting away from fossil fuels

Deforestation
Activities that involve land-use change, especially forest clearing such as logging, agriculture, livestock ranching, industrialisation and urbanisation

Energy Use
High or inefficient use of power and electricity from non-sustainable sources, resulting in high GHG emissions

Biodiversity Loss
Activities that negatively impact habitats, including introduction of invasive non-native species as well as overexploitation and depletion of biodiversity stocks

Water Scarcity
High rates of water use, and activities in water-scarce and water catchment areas, where developments can impact water availability

Ecosystem Degradation
Permanent changes or significant impacts to sensitive physical environments such as mangrove, peat swamp or limestone areas

Waste and Pollution
Inadequate management of waste and by-products, leading to terrestrial, freshwater and/or marine pollution

Marine Environment
Activities that cause negative impacts on the marine ecosystem through ocean pollution and activities such as bottom trawling

SOCIAL RISKS CONSIDERED

Health and Safety
Unsafe working conditions, including the lack of personal protective equipment, policies and procedures on workplace safety and adequate medical coverage

Human Rights and Labour Issues
Factors that impact workers' rights and wellbeing, including discrimination, debt bondage, unsafe working conditions; unfair benefits, remuneration and contractual agreements; and lack of rights to form association, freedom of movement, access to remedy, and provision of basic needs such as housing, water, healthcare and education

Negative Impacts on Communities
Activities that impact native customary rights and inhabited areas, including not obtaining the Free, Prior and Informed Consent of communities impacted by business activities

Diversity, Equity and Inclusion
Behaviours that do not contribute to a fair and equitable work environment or dishonour the dignity and respect of employees including any form of harassment, whether sexual or otherwise

ECONOMIC/ETHICAL RISKS CONSIDERED

Institutional Integrity
Poor management practices that may result in non-fulfillment of sustainability policies and commitments, as well as negative environmental, social or reputational impacts. In addition, issues related to corporate governance, bribery and corruption, cybersecurity and data privacy, among others, are also assessed.

The environmental and social risks outlined can result in financial risks to CIMB. In arriving at financing and other business decisions, the following risks are considered in line with our sustainability commitments:

Credit Risk

The potential for financial losses arising from a client's inability to meet their obligations to the Bank due to reasons such as failure to anticipate and manage environmental and social risks in their business, inadequate control over environmental impacts or poor management oversight

Collateral Risk

The potential for financial losses arising from the loss or devaluation of collateral pledged to the Bank due to reasons such as a client's failure to adequately protect these assets through effective environmental and social risk management systems and controls

Legal Risk

The potential impacts of legal or regulatory non-compliance due to the failure to adequately address environmental and social risks leading to punitive measures such as regulatory fines, penalties or sanctions

Reputational Risk

The potential risk of sustainability issues that may negatively impact the Bank's reputation directly or by association concerning potential or alleged material issues such as the legality of operations, the imminent risk to life or other major controversies

Supply Chain Risk

The potential for disruption and negative shifts in the value, supply or demand for products and services due to environmental and social risks linked to their production or consumption

Technology Risk

The potential risks related to technologies and machinery resulting in loss of customers and market share due to reasons such as the transition to more sustainable, low-carbon and energy-efficient production methods

Governance and Risk

EMERGING RISKS

We recognise that we operate in a dynamic global environment, with new risks on the horizon that may not yet be fully recognised or understood but may significantly impact society, organisations and individuals as well as the planet. At CIMB, we proactively identify emerging risks by gathering information from credible internal and external sources, such as industry reports, market trends, regulatory engagements and stakeholder feedback and actively participating in roundtable discussions for policy development.

Emerging Risk	Description of Risk	Potential Business Impact	Mitigating Actions
Biodiversity Loss and Ecosystem Collapse	***Biodiversity Loss*** Decline in the variety and abundance of species, as well as the degradation of ecosystems and the services they provide. This loss can occur due to a range of factors, including habitat destruction, pollution, climate change, overexploitation of resources and invasive species. ***Ecosystem Collapse*** Rapid and irreversible loss of the structure, function and services of an ecosystem. This loss can occur when an ecosystem experiences a major disturbance, such as a natural disaster, disease outbreak, or human intervention, that disrupts the delicate balance of interactions between species and the physical environment.	Biodiversity loss and ecosystem collapse pose significant risks to human wellbeing and the global economy. These include: • Reduced productivity, which can impact the supply chain, leading to reduced food security • Increased disease transmission due to the destruction of biological pest control systems • Negative impacts that disproportionately affect vulnerable communities • Disruption to businesses dependent on ecosystem services for their operations. In the context of financial institutions, potential negative impacts can be direct and/or indirect from lending, financing, investing and underwriting activities.	We recognise the importance of biodiversity protection and restoration in maintaining a balanced ecosystem. CIMB has been actively involved in the following: • Contributing to government policy consultations and industry working groups to shape future policies • Exploring with industry players to understand the challenges and brainstorming for holistic solutions • Participating in international discussion forums to explore best practices. We plan to develop our overarching Biodiversity Strategy and Roadmap in 2024.
Shortage of Sustainability Professionals	There is a small subset of the talent pool available that has both banking and sustainability expertise, thus making it critical to identify, attract, develop and retain the right people to drive and ensure continual improvement of CIMB's sustainability agenda.	Without this specialised talent pool, the Bank may face significant hurdles such as: • Limitations to the effectiveness and progress of our sustainability initiatives, potentially slowing down innovation and strategic implementation • Reduced capacity to navigate and excel within the rapidly changing sustainable finance sector, diminishing our competitive advantage.	To meet the growing need for specialised professionals in sustainability, our strategies include: • Enhancing internal capabilities via our Sustainability Academy, through targeted learning and training programmes to embed a culture of sustainability and embedding these into existing talent development initiatives • Establishing an Integrated Sustainability Operating Model (ISOM) to deepen the engagement of business units/enablers in Sustainability efforts, including appointing division-level sustainability specialists or champions, achieved through internal transfers or new hires • Scaling up The Complete Bankers – Sustainability and the Sustainability Fellows Programme to identify and cultivate the next generation of sustainability change-makers.

Emerging Risk	Description of Risk	Potential Business Impact	Mitigating Actions
Greenwashing Risk	CIMB's commitments, such as achieving Net Zero by 2050, and No Deforestation, No Peat and No Exploitation are typically phased in across our operating markets. For example, in 2022, we rolled out our NDPE commitment requirement in larger markets, while smaller markets adopted the policy in 2023. In addition, expectations and standards of being a responsible bank are rapidly ratcheting up. Furthermore, a large number of parties within CIMB communicate with stakeholders about CIMB's sustainability efforts across multiple channels. This opens up the risk of miscommunication or overstating of our sustainability claims.	Navigating the risks of greenwashing is essential for the Bank to maintain integrity and trust. Inability to recognise its potential impacts may lead to: • Increased regulatory scrutiny • Harm to our reputation, affecting continued market competitiveness • Regulatory scrutiny due to inappropriate measures to adhere to compliance • Inability to maintain investor confidence, resulting in potential withdrawal of support • Decline in workforce productivity due to reduced employee morale and successful quality recruitments.	We prioritise the following strategies to counter the risks of greenwashing: • Instituting controls and monitoring mechanisms to ensure we honour our specific commitments and uphold transparency in our disclosures • Minimising the time gap from when a policy/ commitment is announced to when it is implemented across our geographical footprint • Reviewing our policies and commitments regularly to align our practices with rising stakeholder expectations • Piloting our Sustainability Communication and Product Governance Procedure (slated to roll out in 2024) to prevent over-claims • Monitoring of sector-specific climate-intensity metrics on an annual basis to ensure sector targets are met.

PILOT: MITIGATING GREENWASHING RISKS

In 2023, we piloted the Sustainability Communications and Product Governance Procedure to strengthen our internal governance processes with the aim of minimising greenwashing risks. All sustainability-themed products, campaigns or claims of environmental and social impacts must undergo a review and approval process that considers industry principles and market best practices, such as frameworks set by the International Capital Markets Association or local regulators. We plan to roll out the procedure in 2024.

In tandem with developing the procedure, we conducted a workshop on "Mitigating the Risk of Greenwashing". Approximately 70 staff from Group Branding and Sponsorships, Group Corporate Communications, Consumer Marketing, Group Corporate Events and Group Sustainability, across Malaysia, Indonesia, Singapore, Thailand and Cambodia participated in the training.

Governance and Risk

GOVERNANCE OF SUSTAINABILITY

Sustainability is institutionalised in our business through our Sustainability Governance Framework. The framework is designed with a clear delineation of roles and responsibilities that ensures accountability, transparency and effective execution of our sustainability decisions.

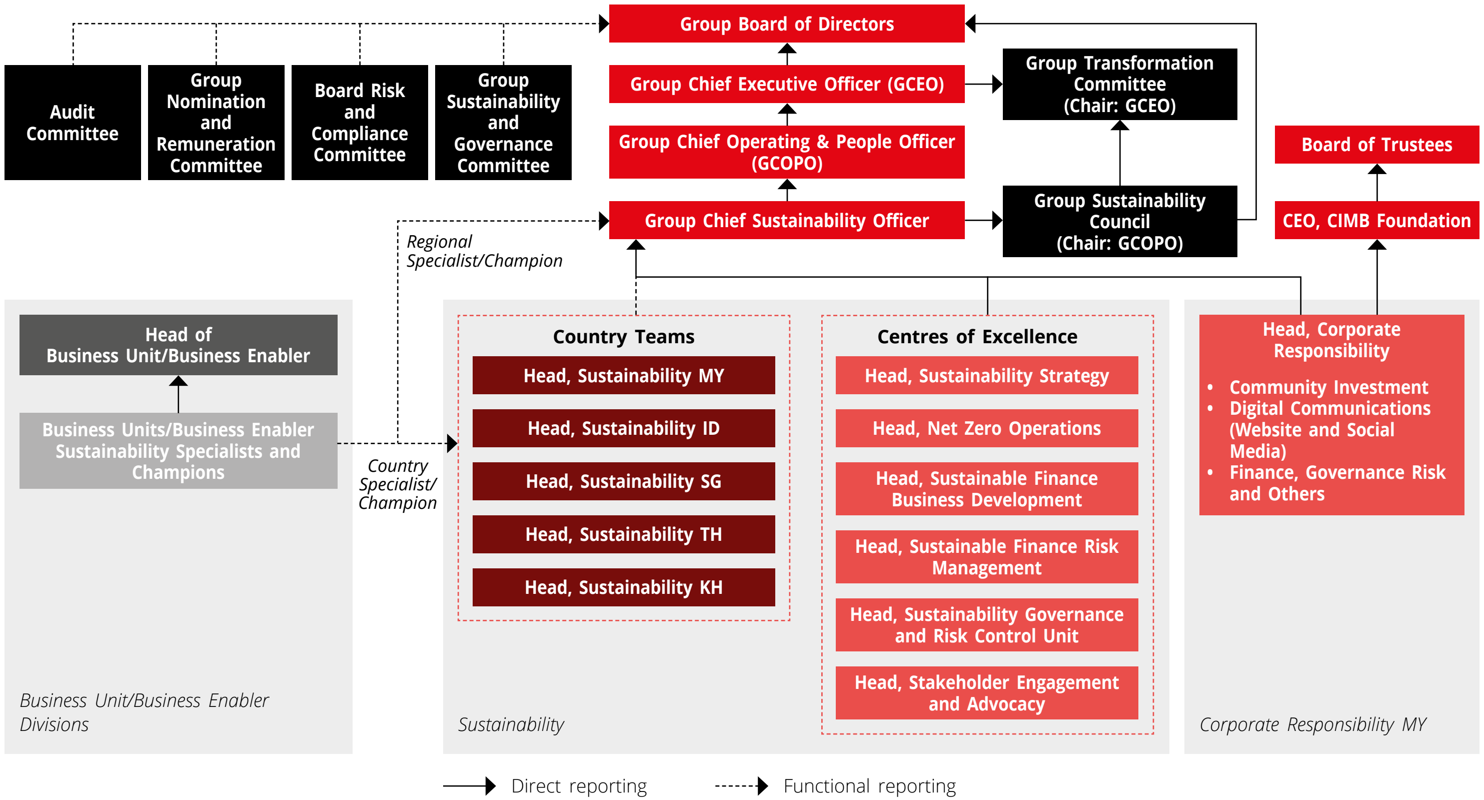
The Group Sustainability and Governance Committee (GSGC) convenes every quarter and assists the Board in fulfilling its responsibilities in advocating and fostering a culture that prioritises ethical conduct, integrity and responsibility towards people and planet. The GSGC provides oversight, advice and direction on the development and implementation of strategies, frameworks and policies for all of our material matters including but not limited to climate change and financial inclusion. The committee also oversees the management of bribery, corruption and other related risks. The Board Risk and Compliance Committee, Audit Committee, and Group Nomination and Remuneration Committee provide oversight of sustainability matters within the domain of their respective committees.

The Board is the highest governance body accountable for CIMB's sustainability strategy, material ESG issues, as well as opportunities and risks.

The Group Sustainability Council (GSC) is the management committee with representatives from countries and business units and is responsible for monitoring the sustainability risk profile of the Group's business activities and ensuring the implementation of appropriate sustainability policies, procedures and controls. The GSC reports to the Group Transformation Committee which assists the Group CEO in steering CIMB's overall strategy including sustainability. The Group Sustainability department was established in 2019 to operationalise sustainability and comprises Centres of Excellence as depicted in the diagram which includes a Governance and Risk Unit. Our diverse regional business requires localised sustainability solutions and this is delivered through our Country Sustainability Teams.

| Governance of Sustainability

Since 2022, we have implemented the Integrated Sustainability Operating Model (ISOM) in Malaysia to scale up and mainstream the Group's sustainability efforts. The ISOM model allows for a decentralised approach to ramp up sustainability innovation and embed sustainability culture, values and accountability across the Group. In 2023, we expanded this model to Indonesia, Singapore, Thailand and Cambodia whereby full-time sustainability specialists and part-time champions were appointed within business units and enabling functions to drive sustainable finance and practices at the forefront.



SUSTAINABILITY LINKAGES TO PAY

Our commitment to sustainability is evidenced by the fact that our Group CEO, top management and all divisions have sustainability key performance indicators (KPIs) in their collective scorecards. Collective scorecards are a team-based performance appraisal system whereby employees are assessed as part of a collective team rather than only as individuals. The KPIs in these collective scorecards reflect our material matters, and their performance against these KPIs are directly linked to the funding of the bonus pool of all divisions, thereby directly impacting the compensation of the executive management and employees in the division.

Examples of sustainability KPIs include the mobilisation of sustainable finance through CIMB's Green, Social, Sustainable Impact Products and Services (GSSIPS) framework for retail and non-retail clients, completion of basic sustainability due diligence within specific turnaround time and meeting quality parameters, reduction of GHG Scope 1 and 2 emissions by division and country against the 2019 baseline, training on sustainability, achievement of financial literacy and financial health targets, human capital development, improvement on diversity and inclusion and implementation of initiatives toward delivering a sustainable supply chain.

For the Group as a whole, we measure our sustainability performance against a corporate-level scorecard containing KPIs that must be achieved within pre-determined timeframes as guided by our sustainability objectives. The scorecard is used to assess and report progress to our governing committees.

SUSTAINABILITY POLICIES

Group Sustainability Policy	• Guides all our sustainability endeavours • Provides overarching principles and approach to sustainability, including sustainability risk management • Enables the identification, assessment, mitigation and management of sustainability risks within the Group
Group Sustainable Financing Policy	• Governs identification and management of environmental and social (E&S) risks within non-retail financing transactions and capital-raising deals • Integrates E&S considerations into our financing decisions at client and transaction levels • Manages E&S risks arising directly or indirectly from CIMB-financed clients and activities
Group Human Rights Policy	• Encompasses our commitments, principles and approaches to human rights • Addresses the identification, assessment and management of salient human rights risks

SUSTAINABLE AND RESPONSIBLE FINANCE: MANAGING ENVIRONMENTAL & SOCIAL RISKS IN NON-RETAIL FINANCING AND CAPITAL RAISING TRANSACTIONS

As an organisation that is committed to sustainable finance, we are cognisant that our environmental and social (E&S) risks and impacts extend beyond our banking operations to the products and services provided to our clients. Future-proofing our clients will also ensure CIMB's resilience and continued performance. As such, we collaborate closely with our clients to manage and mitigate their E&S risks, encouraging a shift towards resilient and sustainable business models.

In our commitment to advancing E&S risk management in the financial sector, CIMB Islamic actively contributed to the development of the Value-based Intermediation Financing and Investment Impact Assessment Framework (VIBAF) Sectoral Guide for Agriculture, Forestry and Fishing. These initiatives aim to protect our customers and business while minimising E&S risks across the industry.

SUSTAINABLE FINANCING FRAMEWORK AND POLICY

The Group Sustainable Financing Policy (GSFP) governs the handling of E&S risks in non-retail financing and capital-raising transactions. It is complemented by our Sustainable Finance Framework (SFF), which encompasses the policy, risk management processes and position statements for sectors with high sustainability risks. Group Sustainability conducts control testing on these policies and procedures every six months. Additionally, periodic audits are carried out by the Group Corporate Assurance Division to maintain accountability and effectiveness.

| Sustainable Finance Framework

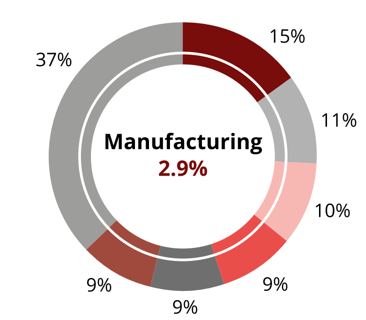
HIGH SUSTAINABILITY RISK SECTORS

We have identified 148 sub-sectors within 10 main industries that are classified as high sustainability risk (HSR) sectors. We have also developed seven Sector Guides that cover the palm oil, forestry (including rubber), oil and gas, construction and infrastructure, coal, mining and quarrying and manufacturing sectors. The guides detail our requirements and considerations when financing these sectors, and serve to guide and motivate our clients within these sectors as they mark their progress in their respective sustainability journeys. A summary of the requirements can be found in our Sustainable Finance Framework.

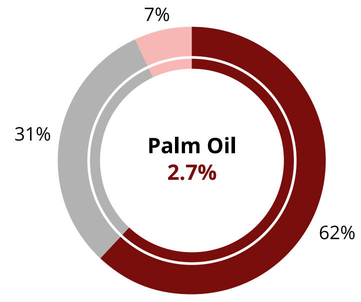
We aim to periodically update and enhance our HSR sector requirements in stages to ensure we are in line with evolving expectations and best practices. The exercise involves a review and refresh of all segments, including sectors that were previously not in scope. Sectors with high environmental and social impacts, material exposure and where we have set Net Zero targets are prioritised. Assessments will be conducted at country level to ensure that the conditions and realities on the ground are reflected in the review. The approach and process taken are detailed on our website.

Governance and Risk

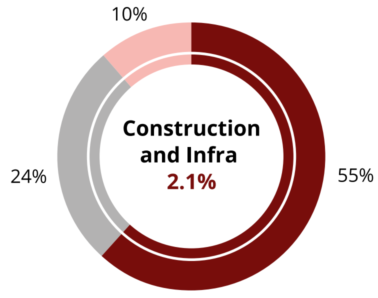
Portfolio Exposure to High Sustainability Risk Sectors



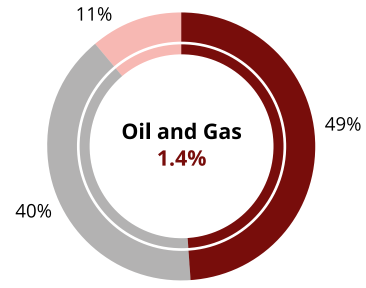
- Automotive
- Plastics
- Electrical and Electronic Equipments
- Chemicals
- Textiles, Apparel and Leather Goods
- Machinery and Equipment
- Other Manufactured Goods / Trading



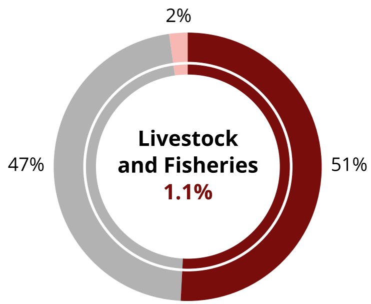
- Planting
- Manufacturing
- Trading



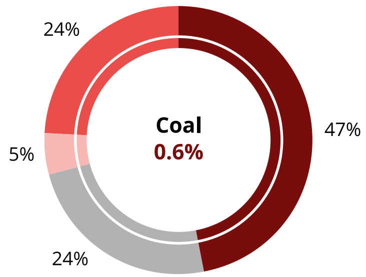
- Construction
- Infrastructure
- Manufacturing of Concrete, Cement and Building Materials



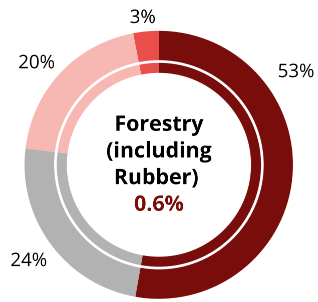
- Downstream
- Support Activities
- Extraction



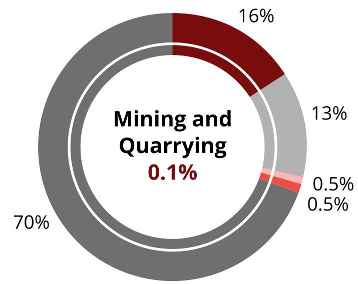
- Livestock
- Trading
- Fisheries



- Extraction
- Coal-Fired Power Plants
- Trading
- Others



- Pulp and Paper
- Wood and Wood Products
- Trading
- Forestry and Rubber



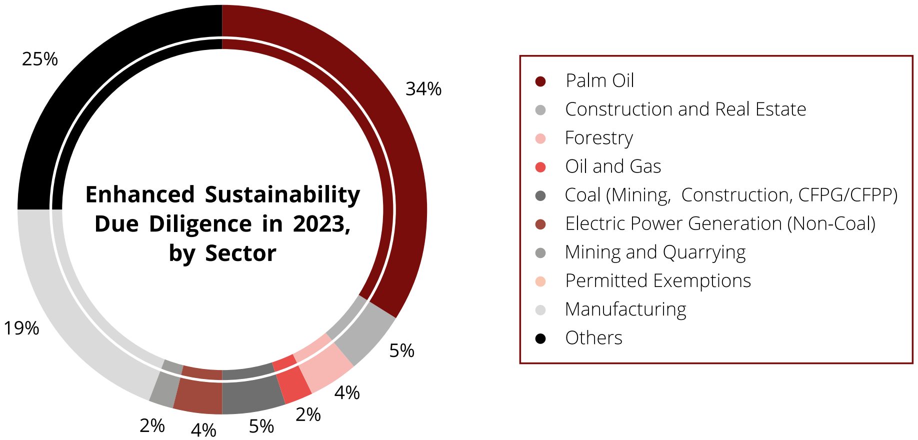
- Iron Ores
- Stone, Sand and Clay
- Gold
- Tin
- Other Metals and Non-Metals

Exposure as % of total Group gross loans/financing as at 31 December 2023 in Malaysia, Indonesia, Singapore, Thailand and International Offices.

ENHANCED SUSTAINABILITY DUE DILIGENCE

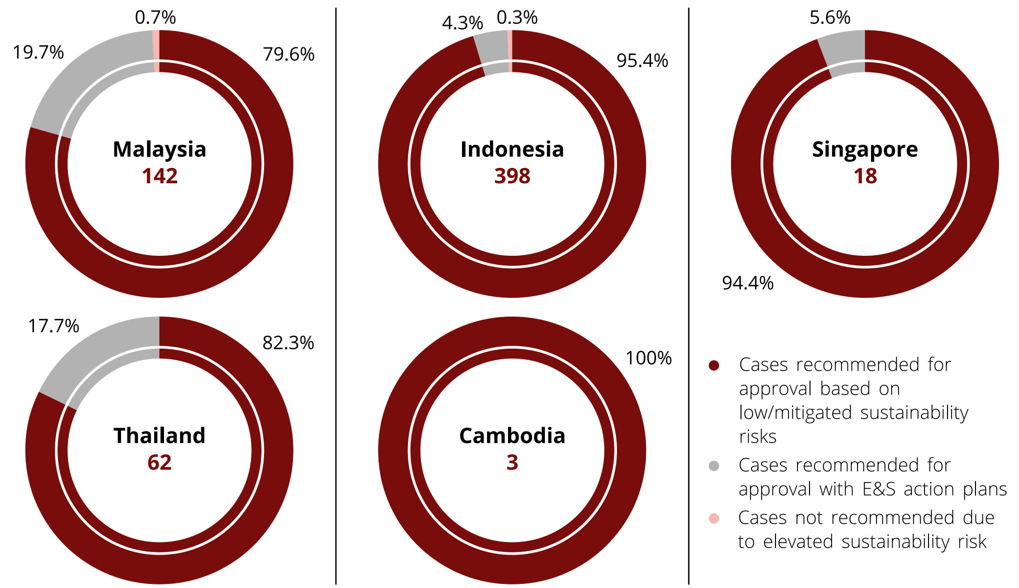
We have conducted due diligence on 15,201 non-retail clients (84% of total clients) in 2023 with 623 cases (3.4%) escalated to Enhanced Sustainability Due Diligence (ESDD)[1]. A total of 57 cases where ESDD was conducted resulted in the issuance of action plans, while two cases were not recommended for approval[2]. For more details, please refer to page 118.

Our Group Sustainability team conducts ESDD on clients and transactions that are exposed to a high level of E&S risk or when trigger events such as controversies, legal action or fines are identified. In 2023, we refined our human rights requirements in HSR sectors, especially for clients in segments more susceptible to human rights issues. The aim is to ensure the requirements are in line with the Group's human rights commitments and the current socio-environmental standards, and to ensure that the mitigation and/or control measures in place remain adequate and up-to-date. We have also enhanced our deforestation and biodiversity assessment process, allowing for improved monitoring and insights for decision-making. For more information, please refer to page 64.



To ensure compliance with our Sector Guides and address material environmental or social risks, we require clients to provide necessary documents for verification. If a client does not meet the sector requirements, we work with them to develop timebound action plans with progress checkpoints at least once a year. In the scenario where a client is unable to complete their action plans on time, an extension may be granted. However, this extension is subject to formal request and approval, which is contingent upon the justification provided by the client being deemed satisfactory by CIMB. However, if a client repeatedly fails to complete the agreed action plans, or is associated with significant environmental or social impacts that exceed our risk appetite, we may refuse any further financing or capital raising requests, and, in certain cases, terminate our relationship with them.

To ensure effective identification, assessment and management of sustainability risks, employees who are involved in the credit approval process are required to undergo a two-week intensive training programme on Environmental and Social Risk Analysis developed by UNEP FI. This is to ensure that our people are well-equipped to analyse and assess E&S impacts within our financing transactions.



623
Total ESDD cases completed

9.2%
Cases in 2023 recommended for approval with E&S action plans

84.2%
Clients completing their action plans in 2023*

| Performance Data – Sustainable Financing Policy, Enhanced Due Diligence (ESDD) Outcomes

1 *Due to limitation of data at time of reporting, data from Indonesia covers clients with outstanding loans for the reporting year, while both Thailand and Indonesia exclude capital raising activities.*
2 *Not recommended due to high environmental and/or social risks related to the client and/or project.*

* *Numbers exclude cancelled action plans, and cases where action plans were extended with approved justifications, i.e., where the Bank, post engagement, identified valid reasons beyond the client's control leading to delays in action plan completion.*

Governance and Risk

SUSTAINABILITY ENGAGEMENT

In 2023, we engaged in individual discussions with clients to address sustainability risks and mitigation measures. Sustainability related engagements are generally conducted during the due diligence stage prior to the approval of a facility, or during annual reviews to ascertain the client's progress towards meeting previously agreed action plans within the timelines set. In both cases, the Sustainability team and/or CIMB relationship manager will engage directly with the client to discuss challenges and progress.

The primary goal of these interactions is to understand the E&S risks associated with clients' business activities, review progress on previously-established sustainability action plans, address challenges and emerging issues, communicate our updated policies on topics such as NDPE, human rights and climate risks, and motivate clients to adopt more sustainable practices.

Sector	Examples of Issues Discussed	Examples of Engagement Outcomes
Palm Oil	• Human rights risks • RSPO/ISPO certification status • NDPE commitments	• Agreement to develop a human rights policy, with due diligence and control measures • Clear plans to complete sustainable palm oil certification, and commit to NDPE
Forestry	• NDPE commitments • Greenwashing risks	• Sustainability certification target • Agreement to conduct a HCV assessment and issue an NDPE policy
Mining and Quarry	• Human rights risks • E&S risk from manufacturing activities	• Agreement to develop a human rights policy, with due diligence and control measures • Develop and submit E&S Action Plan
Construction	• Human rights risks • Public safety risks	• Compensation to affected communities • Rectification works and preventive measures
Oil and Gas	• Human rights risks	• Agreement to develop a human rights policy, with due diligence and control measures
Manufacturing	• Human rights risks	• Agreement to develop a human rights policy, with due diligence and control measures

SECTOR CASE STUDY: POWER CLIENTS

In 2023, we announced our interim target for the Power sector, committing to a 38% reduction in emission intensity (kgCO_2e/MWh) by 2030, from our 2022 baseline. With our decarbonisation pathway established for our own Power portfolio, we continue to engage with our clients to understand, support and facilitate their transition plans towards cleaner sources of energy.

In addition, we assess the E&S impacts of the Power sector, including renewable energy, at both the client and project levels as part of our ESDD process. Impacts assessed include deforestation, biodiversity loss, waste generation, pollution, involuntary resettlement, health and safety and human rights abuse. Following an ESDD, the client may be required to commit to time-bound action plans to mitigate any identified E&S impacts.

Of the 28 Power clients that were assessed, two cases were identified as having high E&S risks and were issued with action plans related to the development of an environmental management system for an effluent treatment and biogas facility and another on the development of a climate mitigation strategy.

We plan to develop a new Power Sector Guide and revise our Coal Sector Guide in line with our Net Zero pathways.

SECTOR CASE STUDY: AGRICULTURE CLIENTS

In the agriculture sector, we assess the E&S impacts that stem from our clients' business activities, including deforestation, GHG emissions, water pollution, over exploitation of natural resources, health and safety, labour and land rights issues as well as physical and transitional climate risks such as flooding, water scarcity, changes in public policy and legal requirements. Where significant impact and/or risks are identified, mitigation efforts are required to be put in place through a mutually agreed time-bound action plan which is monitored and reviewed on an annual basis.

While we have specific sector requirements established for Palm Oil, Forestry and Rubber clients, with No Deforestation, No Peat and No Exploitation (NDPE) being a key requirement, we also conduct due diligence and engagement with other Agriculture clients, including those in the Livestock and Fisheries sectors.

In 2023, we assessed 267 cases from clients within the Agriculture sector, of which 213 were from Palm Oil, 27 from Forestry and Rubber, and 27 from Livestock and Fisheries. As a result of these assessments, we issued 22 new action plans covering issues such as NDPE commitment and implementation, Human Rights due diligence, grievance mechanisms and policies, as well as sustainability certification such as MSPO, ISPO and RSPO.

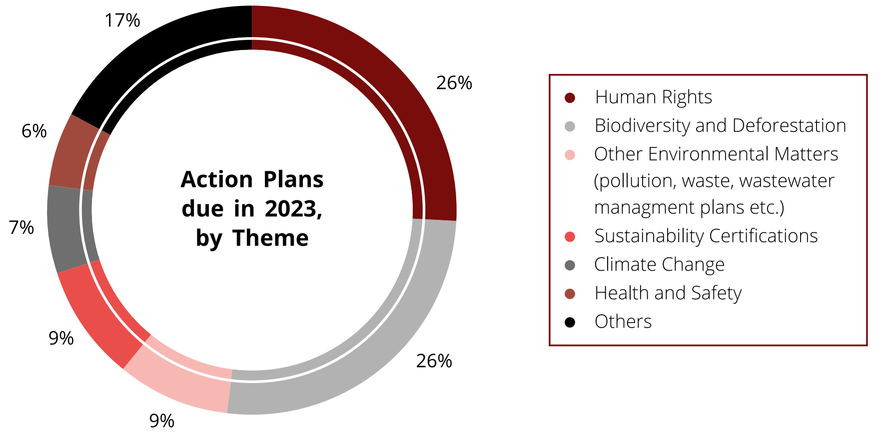
As part of our Net Zero target-setting process for the Palm Oil sector, we also engaged with multiple clients and industry associations within this sector, covering topics such as Net Zero and NDPE commitments, GHG emissions, Palm Oil Mill Effluent (POME), palm sustainability certification progress, and the traceability challenges they face in relation to smallholder suppliers, collection centres and third-party estates.

Moving forward, we plan to continue to expand and strengthen our various sector guide requirements in line with external stakeholders' expectations and changes in legal requirements such as the European Union Deforestation Regulation.

CLIENTS WITH ACTION PLANS DUE IN 2023

There was an increase in action plans due in 2023 compared to the previous year, due to the introduction of the Manufacturing Sector Guide, and requirements on NDPE and Human Rights in 2022. Overall, we had a total of 54 action plans due from 46 clients in 2023. Of those:

- Eight clients had their action plans cancelled due to the maturity of their facilities with CIMB, unsuccessful finalisation of transactions and termination of client relationships for various reasons.
- Out of the 45 remaining action plans still pending from 38 clients, 39 were successfully completed by 32 clients. This equates to an 84% completion rate among clients with outstanding action plans.
- Six clients from the Construction, Palm Oil and Forestry sectors were unable to complete their action plans within the agreed timelines. Official reminders have been sent to these clients, and if they fail to complete their action plans after two reminders, and without adequate justifications, we will consider adding them to our Sustainability Watchlist, which will prevent them from accessing any new or additional financing facilities/ capital-raising services with CIMB.



Governance and Risk

Sectors	Action Plan Categories	No. of Cases	Type of Financing	Completion Status		
				Completed	Not Completed	Cancelled
Palm Oil	• Develop NDPE Policy/Commitment • Obtain MSPO/ISPO/RSPO certification • Others	14 5 1	General and Project Financing	8 3 1	4 – –	2 2 –
Construction and Infrastructure	• Develop Environmental Management/climate/physical risk plan • Implement human rights due diligence and remediation measures • Others	2 3 1	General and Project Financing	2 2 1	– 1 –	– – –
Coal (Mining and Power Generation)	• Provide Environmental Management System • Develop climate mitigation strategy	1 1	General Financing	– –	– –	1 1
Mining and Quarrying	• Provide environmental safeguard measures • Others	1 1	General Financing	1 1	– –	– –
Manufacturing	• Provide environment safeguard measures • Implement human rights due diligence and remediation measures • Develop a climate/physical risk plan • Develop Occupational Safety & Health Management Plan and Policy • Others	2 2 5 2 4	General Financing	2 1 5 2 4	– – – – –	– 1 – – –
Livestock and Fishery	• Implement human rights due diligence and remediation measures • Others	1 1	General Financing	1 1	– –	– –
Others	• Implement human rights due diligence and remediation measures • Develop Occupational Safety & Health Management Plan and Policy • Others	5 1 1	General Financing	2 1 1	1 – –	2 – –
	Total	**54**		**39**	**6**	**9**

Numbers exclude cases where action plans were extended with approved justifications, i.e., where the Bank, post engagement, identified valid reasons beyond the client's control leading to delays in action plan completion.

CLIMATE CHANGE: RISKS AND OPPORTUNITIES

The implications of climate change on global, national and individual financial resilience are significant. Its physical impacts can damage assets, disrupt operations and adversely affect human health and wellbeing. Companies that fail to respond appropriately to emerging policies, as well as technological and market changes aimed at addressing climate change, face increasing regulatory, reputational and financial risks. The risks and uncertainties presented by climate change are significant, but so are the opportunities.

At CIMB, we continually enhance our capabilities in identifying and mitigating the negative impacts and risks arising from climate change, while harnessing opportunities to create positive change toward climate mitigation and adaptation. This year, we further strengthened our capabilities in climate risk management with headway made in enhancing our internal processes associated with assessing and managing climate-related risks that have the potential to directly or indirectly impact our portfolios.

Our Progress In 2023

- Achieved reduction of **35%** in Scope 1 and **26%** in Scope 2 (market-based) GHG emissions against the 2019 baseline
- Attained **operational net zero** for Scope 1 and 2 emissions at **CIMB Singapore branches**
- Participated in Bursa Carbon Exchange (BCX) and Indonesia Carbon Exchange (IDXCarbon) to **purchase carbon credits**
- Implemented divisional **internal carbon pricing (ICP)** mechanism for Scope 2 emissions, integrated into budgeting and planning processes
- Expanded the scope of the Group's **financed emissions inventory**, covering **55%** of financing and investment portfolios as of 31 December 2022
- First bank globally to establish Paris-aligned **2030 climate targets** at portfolio level for **Palm Oil**, and first in Malaysia for Power, together with the publication of the Group's whitepaper which details the roadmap to achieve these targets
- Completed a **Climate Scenario Analysis proof-of-concept** on the Group's non-retail segment
- Enhanced the **Group Risk Appetite Statement** with a qualitative statement on sustainability risk (including climate)
- Classified financing and investments according to **BNM's Climate Change and Principle-based Taxonomy (CCPT)**
- Provided **RM4.1 billion** of green and sustainable financing in 2023, a year-on-year increase of RM1 billion driven by green home and vehicles financing to consumers, to support companies and consumers across the region to decarbonise and build climate resilience
- Launched a new comprehensive **Sustainability-Linked Financing programme for SMEs**, with SMEs incentivised to measure their GHG emissions and achieve science-based GHG emissions reduction targets
- Shared CIMB's climate journey and insights in various forums at **COP28**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

As one of ASEAN's top banking institutions, we are committed to lead by example in our sustainability efforts. To ensure our reporting meets the high standards of quality and transparency, we draw on a range of trusted and credible resources, including the TCFD Application Guide for Malaysian Financial Institutions issued by the Joint Committee on Climate Change (JC3), Bursa Malaysia's Enhanced Sustainability Reporting Framework and the IFRS S2 Climate-related Disclosures. We are committed to synchronising our climate-related disclosures with existing and prevailing reporting guidelines or standards, including aligning with the TCFD recommendations by 2024[1].

Our approach to climate disclosures is firmly aligned with the principle of "double materiality". This means our analyses are not just about how climate change affects us but also about the impact we have on the climate. Despite the uncertainties that come with the unknowns about the long-term impact of climate change, we are dedicated to laying out the facts and presenting disclosures that are as accurate as possible, based on the most current data-driven information we have.

We know our investors and clients are counting on us to keep them informed, which is why we are committed to giving them the full picture of our climate risks, opportunities and performance to date. We aim for comprehensive disclosures, diving into entity or region-specific details where needed.

We expect our climate-related disclosures to evolve in tandem with our continual efforts to strengthen our internal climate capabilities, data and practices. We have included a TCFD Index on page 142 of this report for convenient navigation to other relevant sections within this Sustainability Report.

1 As of October 2023, TCFD has been succeeded by IFRS S2.

Governance and Risk

GOVERNANCE

BOARD OVERSIGHT

The CIMB Group Holdings Berhad Board of Directors (Group Board or the Board) holds the highest responsibility for all sustainability matters, including climate change. In support of the Board's work, the Group Sustainability and Governance Committee (GSGC) provides focused guidance on strategic sustainability matters, particularly on the Group's climate change strategy. Our sustainability (including climate) appetite is set and overseen by the Board Risk and Compliance Committee (BRCC), while the Audit Committee (AC) ensures internal controls against climate risks. The Group Nomination and Remuneration Committee (GNRC) assesses and builds Board-level climate competency, and oversees the integration of climate-related matters in the performance measurement of top management.

This year, as part of our efforts to further strengthen our internal climate governance, we have incorporated climate-related roles and responsibilities including, but not limited to, oversight of the Group's Net Zero strategy and targets, as well as climate risk management, into the terms of reference of various Board-level committees.

MANAGEMENT RESPONSIBILITIES

At the management level, the Group Transformation Committee (GTC) and Group Sustainability Council (GSC) play vital roles in sustainability matters, including climate change. The GSC, led by the Group Chief Operating and People Officer (GCOPO) and Group Chief Sustainability Officer (GCSO), includes regional and cross-functional representatives. The GSC's mandate is to formulate and monitor the Group's climate change strategy, goals, targets and action plans. This includes setting portfolio and sector-specific targets guided by the Group's commitments under the Net Zero Banking Alliance. Working side-by-side with the GSC in a complementary capacity, the GTC, under the leadership of the Group Chief Executive Officer, ensures the timely and effective implementation of the Forward23+ Sustainability Programme, which includes strategic climate-related projects.

We are working to further embed formal climate-related roles and responsibilities into various risk management bodies, including the Group Risk and Compliance Committee (GRCC) as well as the Risk Centres of Excellence under Group Risk, such as Market Risk, Liquidity Risk, and Non-financial Risk Management.

Climate-related issues remained front and centre of Board and management committee discussions in 2023, with an emphasis on execution of projects and initiatives to progress the Group towards Net Zero by 2050.

<table>
<tr><th>Forum</th><th>Committee</th><th>Meeting Frequency</th><th>Number of Climate-Related Matters Discussed[2]</th><th>Key Climate-Related Matters</th></tr>
<tr><td rowspan="5">Board Level</td><td>Group-, Entity- & Joint Boards of Directors</td><td>Monthly – Quarterly</td><td>10</td><td rowspan="8">• The Group's climate scorecard and performance to-date
• Establishment of the Group's Net Zero strategy and targets, including:
– 2030 climate targets for Palm Oil and Power portfolios
– Transition plans for Thermal Coal, Cement, Palm Oil and Power portfolios
– Net Zero Whitepaper publication
• Climate-related projects and initiatives, including:
– Development of a group-wide gap analysis and implementation plan in response to BNM's Climate Risk Management and Scenario Analysis (CRMSA) Policy Document
– Establishment of methodology, assumptions, challenges and preliminary outcomes of the Group's Climate Scenario Analysis proof-of-concept
– Inclusion of qualitative Sustainability Risk Statement (including climate) into Group Risk Appetite Statement
– Setting of the Group's 2024 Risk Posture which considered among others, sustainability and climate-related risk considerations
– Provision of quarterly risk dashboard reporting on the Group's exposure to high sustainability risk sectors and clients
– Undertaking of gap analysis and action plans in relation to BNM's Climate Change and Principle-based Taxonomy (CCPT)
– Reporting of the Group's Scope 1 & 2 GHG emissions reduction measures and performance
– Revision of Sustainable Finance Framework (including high sustainability risk sector position statements) and Sector Guides
– Updating of sustainability and climate-related disclosure standards
– Updating of climate related policy, regulatory and industry trends</td></tr>
<tr><td>GSGC</td><td>Quarterly</td><td>4</td></tr>
<tr><td>BRCC</td><td>Monthly – Quarterly</td><td>5</td></tr>
<tr><td>AC</td><td>Monthly</td><td>2</td></tr>
<tr><td>GNRC</td><td>As required[1]</td><td>1</td></tr>
<tr><td rowspan="3">Management Level</td><td>GTC</td><td>Monthly</td><td>4</td></tr>
<tr><td>GSC</td><td>Bi-Monthly</td><td>6</td></tr>
<tr><td>GRCC</td><td>Monthly</td><td>8</td></tr>
</table>

[1] *The total number of meetings shall not be less than four times a year.*

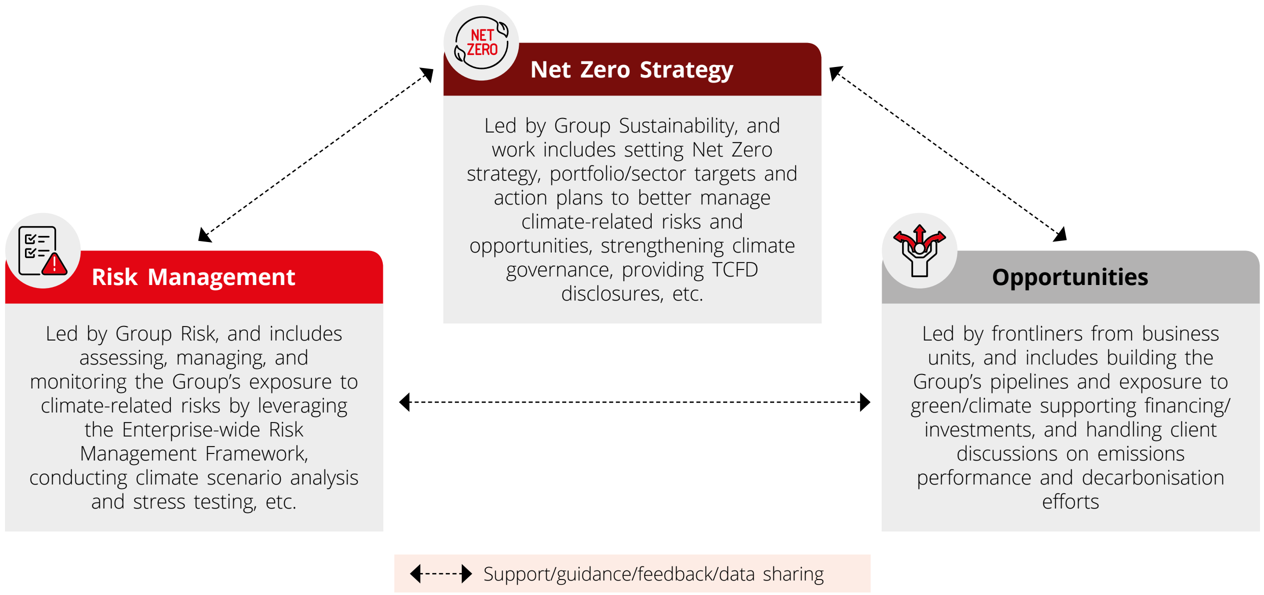
[2] *Addressed at Board and/or management meetings either as a standalone topic or as part of a broader discourse on sustainability.*

The Group Sustainability Division, led by the GCSO, is responsible for addressing climate related risks and opportunities. This includes implementing appropriate frameworks, policies and strategies such as Net Zero targets and pathways for key sectors. The division also supports other business units and enablers in executing these strategies.

The Group Administration and Property Management team works with all business units to reduce operational emissions and other environmental impacts, including GHG emissions from energy use, water and waste, through measures such as optimising office space and improving energy efficiency.

Our Climate Risk Unit complements the Net Zero Strategy and target-setting work of Group Sustainability. Established under Group Risk, which is in the second line of defence, the unit aims to deepen the Group's understanding of its exposure to climate-related risks arising from financing and investment activities, and to develop management actions to mitigate and manage these risks.

Net Zero Working Groups (NZWG) for each significant carbon-intensive sector were set up to jointly develop CIMB's Net Zero pathways and transition plans, which have been published in our whitepaper: Our Path to Net Zero - Charting a Course to Decarbonisation. These Working Groups consist of Group and country level representatives from Wholesale Banking, Commercial Banking, Islamic Banking, Group Risk and Group Sustainability.



CAPACITY BUILDING FOR BOARD AND MANAGEMENT

In 2023, 100% of Board members of all CIMB entity boards participated in a 20-hour course on sustainability leadership conducted in collaboration with the Cambridge Institute for Sustainability Leadership. The course comprised eight modules covering the range of essential knowledge-building blocks, with a strong focus on climate-related issues. Key topics covered in this signature course, and supplemented by other capacity building sessions included:

- Overview of the Earth systems and of changing stakeholders' expectations and attitudes
- Emerging strategies that connect business with sustainability issues
- Implications for directors' duties in Malaysia and the region
- Effective board oversight of climate issues and strategies for long-term success.

CLIMATE-RELATED KPIS

Balanced collective scorecards encompassing both financial and non-financial metrics are the cornerstone of the Group's performance evaluation. These scorecards provide us with a holistic overview of our performance that takes into account diverse indicators ranging from profitability, cost and capital, to strategic initiatives, risk, audit and compliance. This approach cascades through the organisation, to business units and enabler functions, shaping the distribution of the bonus pool based on their annual performance.

Performance appraisals for individual employees are also aligned with the measures and targets outlined in the collective scorecards. These goals typically encompass areas such as customer experience, long-term initiatives and risk management, on top of financial targets. The amount of variable remuneration each employee receives (subject to the overall size of the bonus pool) is based on both their individual performance and how well their team or department performed, in accordance with their unit's corresponding collective scorecard.

Governance and Risk

In 2023, the Group continued to use collective and individual scorecards to mobilise Group-wide efforts towards a set of common sustainability and climate goals across all levels with examples referenced below:

- Reduction in Scope 1 and 2 GHG emissions (carried by the CEO, members of the top management e.g., the GCSO, and employees)
- Rollout of the GSSIPS Tool to business units (carried by business units, among others)
- Accurate classification of sustainable finance as per our GSSIPS framework (carried by business units, among others)
- Mobilisation of green financing for retail and non-retail clients (carried by the CEO and Business Unit heads, among others)
- Establishment of financed emissions baselines and climate targets for selected sectors (carried by employees in the Group Sustainability division, among others)
- Implementation of a flood risk assessment pilot on Malaysia's mortgage book (carried by employees in the Risk division, among others)
- Completion and delivery of the Group's Net Zero Strategy and Climate Risk Management project (carried by the GCSO, employees in the Group Sustainability and Group Risk divisions, among others)

STRATEGY

OUR APPROACH TO CLIMATE CHANGE

As a member of the Net-Zero Banking Alliance, we commit to contributing to the collective effort to align financing and investment portfolios with pathways to Net Zero by 2050, while limiting the temperature rise to a maximum of 1.5 degrees Celsius above pre-industrial levels by 2100. Acknowledging that the path to achieve this goal may be complex and not always clear, we approach this important topic with diligence and responsibility. Our commitment involves supporting and advocating for urgent and substantial reductions in our clients' emissions alongside proactive initiatives in carbon neutralisation and compensation across our portfolios. While we recognise the considerable work required to develop and implement the necessary strategies, both internally and with our clients, the positive support we have received from key stakeholders, including employees, clients, investors and civil society, continues to propel us toward realising our 2050 vision.

Dato' Abdul Rahman Ahmad
Group Chief Executive Officer/Executive Director, CIMB Group

CIMB strongly believes that a just transition must be compatible with positive economic, environmental and social outcomes. While a transition to a low-carbon economy presents a myriad of opportunities for businesses to grow, rapid change may also exacerbate socio-economic inequalities in the region. Balancing inclusive development with broader environmental sustainability goals lies at the heart of our approach, to ensure that the wider benefits of Net Zero efforts can be distributed equitably across society. With sustainability being a key priority under our Forward23+ strategic plan, CIMB will continue to actively catalyse and drive the adoption of environmentally and socially responsible practices across ASEAN.

SCOPE
Undertake heatmapping and scoping to enable focus on material areas

MEASURE
Establish financed emissions inventory

SET TARGETS
Select reference pathways and set 2030 and 2050 targets

STRATEGISE
Develop a transition strategy

IMPLEMENT
Execute the transition strategy

EVALUATE
Periodically assess risk exposure and alignment progress

COMMUNICATE
Keep stakeholders informed about progress

SCOPE

IDENTIFYING KEY RISKS AND OPPORTUNITIES

We view climate change as a principal and cross-cutting risk that could materially impact our ability to create value for our stakeholders in the long term. As a start, we updated our qualitative evaluation to understand the drivers behind climate-related risks, how such risks are transmitted through macroeconomic and microeconomic channels, and how they impact us as a financial institution. Climate-related transition and physical risks can manifest across various risk types. Whilst Credit Risk implications remain the most material to CIMB, we will continue to assess and monitor our exposure to other risk types (notably Market Risk, Liquidity Risk, Reputational Risk and Operational Risk) which may be heightened as a result of climate change.

Climate Risk Type and Driver

Transition Risk
- Policy and Regulatory Changes
- Technology Shifts
- Investor Expectations
- Consumer Preferences

Physical Risk
- Acute
- Chronic

Risk Type	Impact to CIMB	Time Horizon[1]
Credit Risk	• Impacts repayment capacity of clients and default rates • Impacts collateral value due to stranding of climate-misaligned assets	Short, medium to long-term[2]
Market Risk	• Impacts the value of climate-incompatible securities underwritten or held by the Group, due to market volatility of these securities	Medium to long-term
Liquidity and Funding Risk	• Impacts the Group's liquidity due to clients' inability to repay their facilities or significant and sudden cash withdrawals or credit drawdowns due to extreme climate events	Medium to long-term
Reputational Risk	• Impacts the Group's reputation and image due to its financing of carbon-intensive sectors such as Coal • Impacts stakeholder confidence in the Group's sustainability efforts and ability to manage climate-related risk exposure	Short, medium to long-term
Operational Risk	• Impacts the Group's operations due to disruption or damage to the Group's physical assets as a result of rising frequency and impact of extreme weather events such as floods • Impacts due to new regulations around climate change, resulting in the need to change internal policies and procedures to comply with new requirements	Short, medium to long-term
Strategic Risk	• Impacts the Group's competitiveness, market share and attractiveness to investors due to the inability to shift from "brown" to "green" financing	Medium to long-term
Enterprise-wide Risk (Capital Risk)	• Impacts the Group's ability to absorb losses, cater for business investments and maintain public confidence due to inadequate capital for climate-related risks	Medium to long-term

[1] *"Short Term" indicates a duration of less than one year; "Medium Term" indicates a duration of one to five years; "Long Term" indicates a duration of more than five years.*
[2] *Included short-term in 2023 in view of rising frequency and severity of acute physical risk events (e.g. floods) which increasingly impact our borrowers in a short period of time.*

Governance and Risk

It is widely established that the ASEAN region requires large amounts of capital to fund projects for both climate change mitigation and adaptation. Governments across the region have developed transition roadmaps, such as the National Energy Transition Roadmap for Malaysia. This presents an opportunity for CIMB to mobilise sustainable finance for these projects through our financing or capital raising services.

As we seek to understand the impact of transition and physical risks on our clients' operations through our client engagements, we also aim to use these same conversations to understand how we can support their net zero transition. This will be a collaborative process where we work with our clients to develop new ideas, and support execution of their net zero pathway through our financing, while jointly overcoming challenges that may arise. We believe this process will lead to mutually beneficial outcomes for the Bank, our clients, the environment and the wider society.

MEASURE

UNDERSTANDING OUR FINANCED EMISSIONS

As a financial institution, the primary source of our greenhouse gas (GHG) emissions is attributed to Scope 3 Category 15 Investments, notably in the form of "financed emissions". Understanding our financed emissions is a crucial step towards enabling a just climate transition, especially from a perspective of identifying carbon-intensive sectors, asset classes and clients, as well as developing climate targets and effective decarbonisation plans.

In 2022, we began measuring the emissions associated with our on-balance sheet financing for clients across four key operational markets: Malaysia, Indonesia, Singapore and Thailand. As standards, market practices and data availability continue to evolve, we strive to streamline and update our financed emissions calculation methodology and internal processes with a view to improve the completeness and accuracy of our outputs. In 2023, the following enhancements were initiated:

- Developed **CIMB Group's Financed Emissions Methodology** to provide greater clarity around our calculation approach, metrics, data requirements, assumptions, baseline recalculation principles and appropriate deviations if any from the Partnership for Carbon Accounting Financials (PCAF) Standard
- Established and rolled out **a suite of Excel-based calculators for five PCAF asset classes:** Listed Equity and Corporate Bonds, Business Loans and Unlisted Equity, Commercial Real Estate, Mortgages as well as Motor Vehicle Loans, to ensure that financed emissions are calculated in a systematic and structured way, as well as to reduce human error and create an audit trail
- Developed **supplementary guidance**, including sector code mapping to facilitate scoping and data aggregation across different countries, a consolidated emission factors database updated with March 2023 emission factors offered by PCAF and other external sources, and data dictionaries containing definitions and interpretations of various internal and external data points needed for financed emissions calculations.

Disclaimer:

While we have undertaken the necessary steps to provide our stakeholders in good faith a complete, timely and accurate overview of the Group's financed emission baseline and performance, the data presented in subsequent sections is subject to significant uncertainty, challenges and risks (e.g. inconsistent interpretations and definitions, complexity of calculations and estimates, availability and reliability of data, double counting) that may affect their usefulness, accuracy and completeness. Readers should exercise caution and conduct their own independent assessment in understanding and analysing the data points.

CIMB Group's Financed Emissions Inventory

Building on our earlier experience in estimating the Group's financed emissions for financial years ending 2019 to 2021, we established our first baseline as of 31 December 2022[1] (2022 Baseline). The 2022 Baseline has been augmented with the inclusion of the Listed Equity and Corporate Bonds asset class. In estimating our financed emissions, reference was made to the Global GHG Accounting and Reporting Standard developed by the Partnership for Carbon Accounting Financials (PCAF Standard) and the UN Environment Programme Finance Initiative (UNEP FI) Guidelines for Climate Target Setting for Banks.

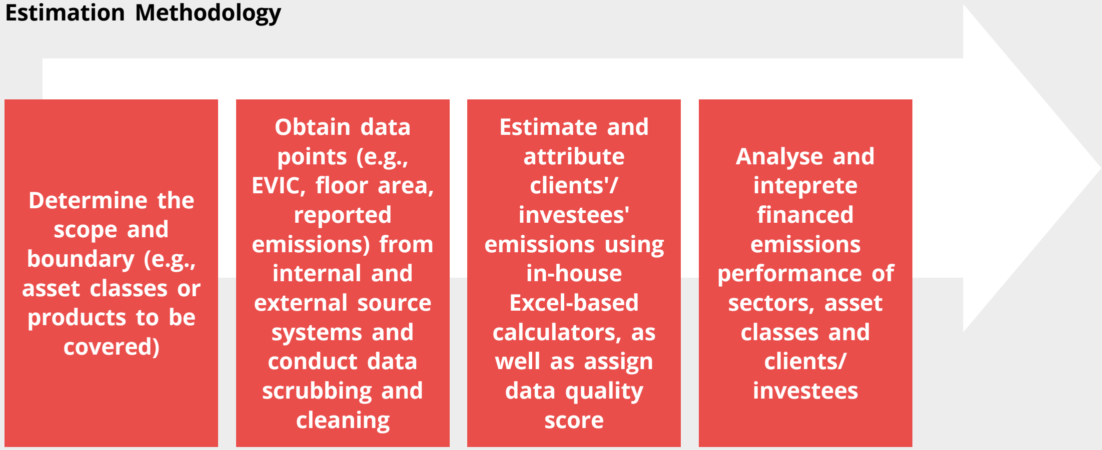
Our Scope and Boundary

Coverage By:		Scope
Operational Market		Malaysia (i.e., CIMB Bank Berhad, CIMB Islamic Berhad), CIMB Niaga (i.e., PT CIMB Niaga), CIMB Singapore (i.e., CIMB Bank Singapore branch), CIMB Thailand (i.e., CIMB Thai PCL) are in-scope, which collectively contribute to more than 95% of the Group's portfolios in terms of total assets and net interest income respectively
Asset Class	**Listed Equity and Corporate Bonds**	Available-for-sale and held-to-maturity securities (including wholesale bond funds managed on a discretionary basis) held by CIMB
	Business Loans and Unlisted Equity	All on-balance sheet loans/financing extended to non-retail clients of Group Corporate Banking and Group Commercial Banking (i.e., Business Banking and SME Banking/Enterprise Banking)
	Commercial Real Estate	Commercial Real Estate loans/financing extended to individuals and small and medium-sized enterprises (SMEs)
	Mortgages	Mortgages (including green home financing) extended to individual customers
	Motor Vehicle Loans	Auto loans/financing (including hybrid/electric vehicles) extended to individual customers
Sector		Nine carbon-intensive sectors as guided by the UNEP FI Guidelines for Climate Target Setting for Banks: Agriculture, Aluminium, Cement, Coal, Iron & Steel, Oil & Gas, Real Estate, Transport, Utilities (including Power)
GHG Scope		Scope 1 and 2 emissions of financing clients and investee companies. Scope 3 is not covered except for Oil and Gas due to challenges associated with data availability
Carbon Credits		Gross absolute emissions are reported without taking into account carbon credits retired by our financing clients/investee companies to offset their emissions
Avoided Emissions		Avoided emissions are not reported due to limited data availability
Emission Removals		Emission removals are not reported due to limited data availability
Facilitated Emissions		We have not estimated the Group's facilitated emissions yet as the PCAF Facilitated Emissions Standard was only launched in December 2023

Due to a time lag in financial/emission data provided by our clients/investees, our financed emissions inventory disclosed in annual reports is set to be behind the current financial accounting period by 12 months. To address this moving forward, we intend to issue mid-year updates of the Group's financed emissions for the previous financial year. This will enhance our ability to capture and integrate the necessary external datasets for our computations.

Governance and Risk

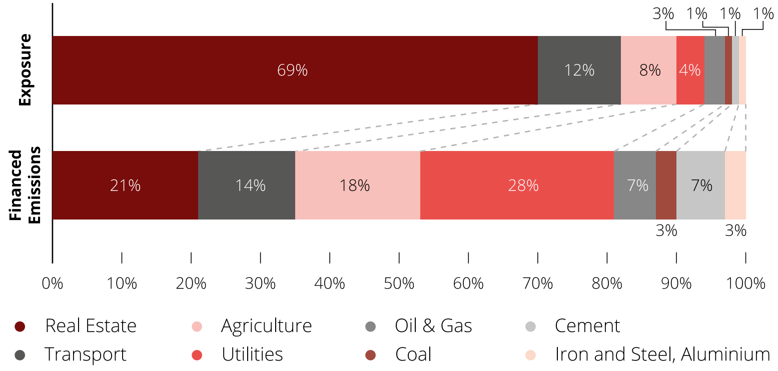
Our Financed Emissions Calculation and Estimation Methodology



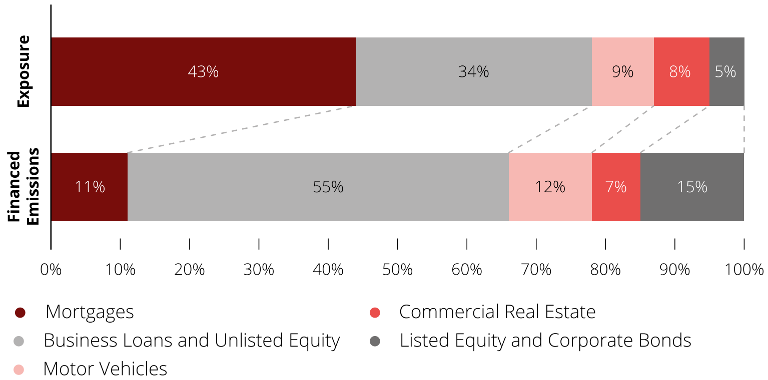
Our financed emissions calculators are structured in a way where reported emissions of our clients (or their direct parent/ultimate owner) are prioritised to ensure that the data we use is as accurate as possible. Where self-reported data is not available, proxies such as physical activity data (e.g., metric tonnes of steel produced) or revenues/assets are used to estimate clients' emissions according to the PCAF Standard. In situations where an estimation cannot be established using the PCAF approach due to absence of financial and/or physical activity data, we apply an extrapolation technique to estimate the emissions of those clients.

In 2022, our total attributed financed emissions associated with the nine carbon-intensive sectors (Scope 1 & 2 only), in absolute terms, amount to **16,477,916 tCO_2e**. The Utilities, Real Estate and Agriculture sectors emerged as the top three largest contributors to our financed emissions, collectively accounting for 67% of the total. This is against the backdrop of our continual effort to increase the coverage of our financed emissions inventory by extending to exposures that were previously scoped out. For instance, total financing exposure covered in FY2022 financed emissions increased to 71%, from 61% last year, due to inclusion of additional sub-sectors (e.g., The Utilities sector has been expanded to cover more than just power generation; it now includes water and sewerage). As of 31 December 2022, the Group's financed emissions inventory currently covers 55% of the Group's total financing and investment portfolios, following the inclusion of investment exposures from the newly added Listed Equity & Corporate Bonds asset class. Refer to the Metrics and Targets section on page 59 for our detailed methodology and assumptions.

CIMB Group's Financing and Investment Exposures, and Absolute Financed Emissions by Sector



CIMB Group's Financing and Investment Exposures, and Absolute Financed Emissions by Asset Class



CIMB Group's Total Portfolio Financed Emissions

As a signatory to the Net-Zero Banking Alliance (NZBA), we are expected to measure and report current emissions (absolute emissions and emissions intensity) on an annual basis, and demonstrate that our baseline covers a significant majority of our Scope 3 financed emissions. Meanwhile, stakeholders are increasingly expecting CIMB to assess, identify and prioritise our most carbon intensive sectors, asset classes and/or products, and pivot the same towards low-carbon or Net Zero pathways.

In 2023, we conducted a high-level estimation of our financing and investment portfolios' emissions to gain a comprehensive understanding of our total portfolio emissions and identify key contributing sectors. This estimation was necessary because our detailed financed emissions inventory currently focuses only on nine carbon-intensive sectors, leaving the contributions from other sectors unclear.

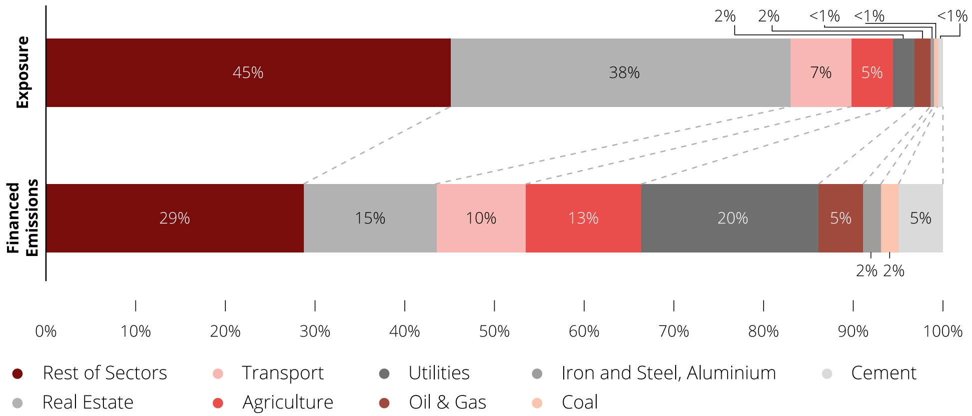
To address this gap, we adopted a pragmatic top-down approach[1] to estimate the Scope 1 and 2 emissions[2] of the remaining sectors[3] as of 31 December 2022. This approach involved making several assumptions, such as assuming that all loans/financing and investments are for general corporate purposes.

By aggregating the financed emissions of the nine carbon-intensive sectors with the high-level estimates of the remaining sectors, we obtained a holistic view of the Group's total portfolio emissions. This exercise enables us to better understand our exposures and absolute emissions across various sectors.

This portfolio view provides several useful insights that can be used to enrich our financed emissions inventory and steer the Group's decarbonisation strategy moving forward:

- Collectively, carbon-intensive sectors (i.e., Agriculture, Cement, Coal, Iron, Steel and Aluminium, Oil and Gas, Real Estate[4], Transport[5], Power[6]) as listed in the UNEP FI Guidelines for Climate Target Setting for Banks, which make up to 55% of the Group's financing and investment portfolios, contribute to around 71%, a significant majority, of our total portfolio financed emissions
- The rest of the sectors only contribute to 29% of our total financed emissions, despite making up close to half of the Group's financing and investment exposures

CIMB Group's Financing and Investment Exposures, and Absolute Financed Emissions by Sector (Including Rest of Sectors)



[1] *The estimated financed emissions of the rest of the sectors are highly indicative in nature due to inherent methodological limitations (for example, estimation was done at sector level instead of a more granular sub-sector level) and relevant assumptions applied. Users should exercise caution when interpreting such data.*
[2] *Scope 3 emissions of our financing clients and investee companies were not included to minimise double counting.*
[3] *Consist of exposures to, among others, Banks and Non-Bank Financial Institutions, Sovereigns, Manufactured Goods (where not already covered under other sectors), Hospitality, Telecommunications, Media & IT, Wholesale & Retail.*
[4] *Entails mortgages for retail clients.*
[5] *Covers auto loans/financing for retail clients.*
[6] *Subsumed under the Utilities sector, which includes other utilities such as water and sewerage.*

Governance and Risk

SET TARGETS AND STRATEGISE

ESTABLISHING INTERIM CLIMATE TARGETS

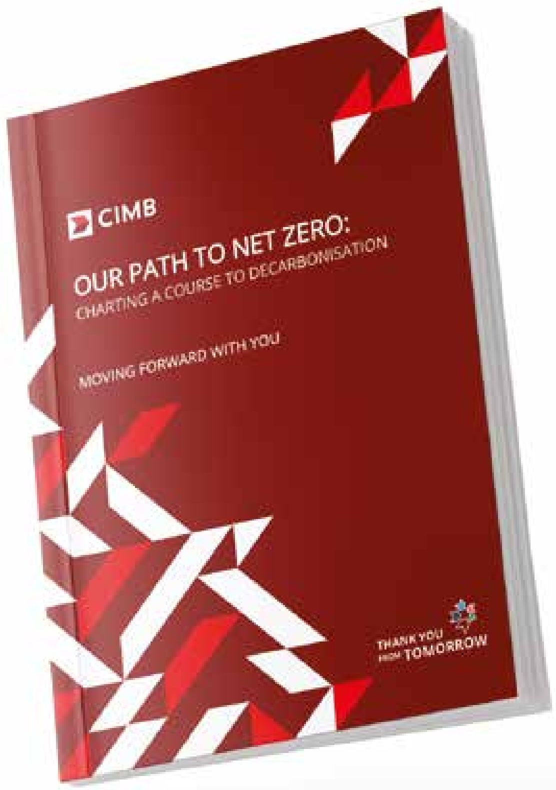
Establishing Scope 3 financed emissions inventory and measurable targets for our carbon-intensive sectors enable us to create concrete transition plans and systematically track progress toward achieving Net Zero for these priority sectors.

This year, we became the first bank in the world to set a 2030 Net Zero reduction target for our Palm Oil portfolio and the first Malaysian bank to set a target for our Power portfolio. These new targets further extend our leadership in this region. In 2022, we announced our first set of Net Zero reduction targets for the Thermal Coal Mining and Cement sectors, making us the first bank in Malaysia and the second in ASEAN to do so. We have begun the work to develop targets for the Oil and Gas and Real Estate sectors which are targeted to be completed by 2024.

With the completion of the two additional sectors in 2024, CIMB will have targets aligned with science-based pathways to limit global warming to 1.5 degrees Celsius, for sectors which cover 47% of our total non-retail book, and account for 59% of CIMB's emissions financing portfolio. In addition to being material to CIMB, these sectors are also the most significant contributors to global GHG emissions and are key pillars to the ASEAN economy. We will continue to set periodic goals in the longer term to ultimately achieve a Net Zero by 2050 outcome. For a complete view of our approach, methodology and transition plans, please refer to our whitepaper, *Our Path to Net Zero: Charting a Course to Decarbonisation.*

In ensuring our systematic progress towards the achievement of these targets, we are focused on five key priorities: Supporting our clients through a just transition, driving change in partnership with broader economic ecosystems in the real economy, regularly reviewing our measurable progress to ensure our targets stay relevant, continually shaping and charting the next phase of our decarbonisation journey, and continuing to develop and embed organisational capabilities and governance.

In advocating sustainability and leading by example through systematic and progressive transitioning of our portfolios, we will continue to actively engage and enable our clients, including micro, small and medium-sized enterprises (MSMEs) to embrace and adopt low-carbon business practices in their respective sectors. We are committed to supporting our clients in their decarbonisation journey, leveraging the rapid advancements in renewable technologies and supportive national schemes to accelerate their transition to a Net Zero economy.



	Sector			
	Palm Oil	**Power**	**Thermal Coal Mining**	**Cement**
Target Metric	Physical emissions intensity i.e., tonnes of CO_2 equivalent per tonne of crude palm oil ($tCO_2e/tCPO$)	Physical emissions intensity, i.e., kg of CO_2 equivalent per megawatt hour ($kgCO_2e/MWh$)	% of portfolio exposure	Physical emissions intensity i.e., tonnes of CO_2 equivalent per tonne of cement (tCO_2e/t cement)
Parts of the Value Chain Included	Planting and milling	Power generation	Thermal coal mining	Cement manufacturing
Client Emission Scopes Included	Scope 1 (including land use change related emissions and sequestration) and 2 of plantation, mill and integrated clients. Scope 3 upstream (i.e., external sourcing of fresh fruit bunches) of integrated clients	Scope 1 emissions of power generation clients (including electric utilities, power plants, independent power producers, renewable energy producers)	N/A	Scope 1 and 2 emissions of cement manufacturing clients
Asset Classes Included	• Business loans/financing • Investments held for sale or maturity including corporate bonds/sukuk and equities • Facilitation of capital raising activities for clients including bonds/sukuk issuances and initial public offerings			
Reference Scenario	Adjusted SBTi FLAG Commodity Pathway for Palm Oil (regional)	Adjusted IEA NZE 2050 (regional)	IEA NZE 2050 (regional)	SBTi Carbon Intensity Pathway for Cement (global)
Baseline	1.81 (as of 2022)	439 (as of 2022)	100% (as of 2021)	0.72 (as of 2021)
2030 Target	1.52	272	50% of 2021 exposure	0.46
Targeted Change	16% reduction	38% reduction	50% reduction	36% reduction
Net Zero Plan[1]	Align with reference scenario in 2030	Align with reference scenario in 2030	No exposure to thermal coal mining by 2040	Align with reference scenario in 2030

Our progress towards our Net Zero targets is discussed in the Metrics and Targets section of this Sustainability Report on pages 59 to 63.

[1] *As 2030 approaches, we will set further interim targets towards achieving Net Zero by 2050.*

Governance and Risk

IMPLEMENT AND EVALUATE

At CIMB, we emphasise informed decision-making, synthesising multiple perspectives and approaches to analysing issues. Our approach to the critical matter of gauging our vulnerability to climate-related risks takes on the same philosophy, where we employ multiple evaluation methodologies and techniques to understand the significance of these risks in order to formulate our strategies. These include materiality assessment and heat mapping, climate scenario analysis as well as internally developed tools such as our GSSIPS tool. For details on CIMB's full suite of methodologies, please refer to our website.

ADVANCING CIMB'S CLIMATE SCENARIO ANALYSIS CAPABILITIES TO UNDERSTAND IMPACT ON CREDIT RISK

In 2021, we piloted the Paris Agreement Capital Transition Assessment for Banks tool to perform transition risk scenario analysis on our non-retail financing portfolios in Malaysia and Singapore. The pilot allowed us to gain insights into the alignment of our portfolios with the temperature goals outlined in the Paris Agreement. Since then, we have transitioned to internal climate risk models, which allow for comprehensive and consistent modelling and assessment of climate-driven credit risk impacts across various sectors, particularly for climate-sensitive sectors.

Climate scenario analysis and stress testing, while still a relatively novel concept to many practitioners, are increasingly deployed by financial institutions as an indispensable risk assessment tool to explore and understand financial implications to their businesses if the world is to transition towards or fall short of the Paris temperature goals under various plausible climate and socioeconomic pathways. Its emergence is predominantly driven by expectations from central banks, including Bank Negara Malaysia which clearly articulates the importance of climate scenario analysis and stress testing undertakings in its Climate Risk Management and Scenario Analysis Policy Document (CRMSA), and the Climate Risk Stress Testing Methodology Paper (CRST) which was released in February 2024.

To meet the impending regulatory expectations and enhance the Group's resilience in the face of a dynamic and intensifying climate risk landscape, we have taken steps to strengthen our internal climate scenario analysis (CSA) capabilities in 2023. Taking into account CIMB's diverse business and geographical attributes, a CSA Proof-of-Concept (PoC) exercise was conducted on our non-retail financing and investment portfolios (Portfolio) across key operating countries, i.e., Malaysia, Indonesia, Singapore and Thailand. The CSA PoC focused on investigating the credit impact of transition risks on our main sector portfolios such as Agriculture, Power Generation and Oil and Gas, among others. Throughout the course of this exercise, we solicited extensive internal inputs on the CSA models gathering information and insights from a representative range of business units, including those involved in the various Net Zero Working Groups (NZWG), credit risk and sector subject matter experts from Group Sustainability.

As transition risks can manifest and impact real economy sectors in varying degrees and forms, we deploy a suite of sector-specific and emissions-based models for eight climate-sensitive sectors to understand their sensitivity to transition risk impacts. The selection of climate-sensitive sectors and model type were guided by a preliminary climate materiality assessment, which considered a sector's impact on climate (an "inside-out" perspective) as well as the Group's exposure to the sector (a proxy for "outside-in" impact to CIMB).

For each sector, we used one of two different CSA modelling approaches, depending on the characteristics of the sector:

Sector-specific approach

Scenario value driver impacts are modelled based on product-level behaviours and how the market for each product is expected to change within each scenario. Product-level information is required for this model, along with granular scenario variables.

Sectors modelled using this approach were:

- **Oil and Gas**
- **Power Generation**
- **Palm Oil**

Emissions-based approach

For each sector, financial driver impacts are modelled based on company-level emissions. Price is modelled as a function of reported Scope 1, Scope 2 and upstream Scope 3 emissions (driven by carbon price). This approach is used for less carbon-intensive sectors, or there is insufficient data/information to apply a sector-specific approach, but is not appropriate for sectors where Scope 3 downstream is a major consideration.

Sectors modelled using this approach were:

- **Agriculture, excluding Palm Oil**
- **Real Estate**
- **Transportation**
- **Metals & Mining**
- **Manufacturing**
- **+ Other sectors through extrapolation**

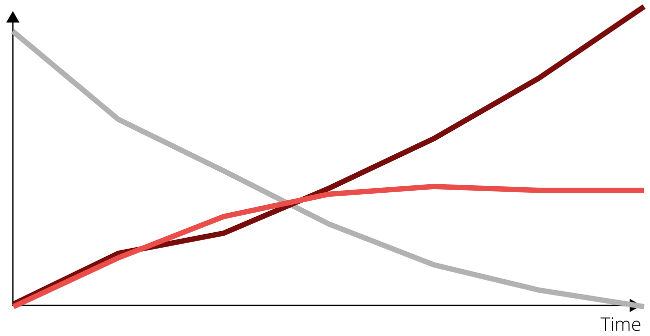
Overview of our CSA PoC Approach

1. **Selection of NGFS Climate Scenarios**
2. **Company selection and segmentation**
3. **Data gathering**
4. **Bottom-up analysis of Representative Companies**
5. **Extrapolation of climate impacts to other companies with the same archetype**

Briefly, the CSA PoC begins with the selection of representative companies with differing risk and business profiles for each sector (Representative Companies). Subsequently, all companies in each sector (including the Representative Companies) are categorised based on their business and risk attributes, and assigned with an appropriate archetype, allowing for extrapolation at a later stage.

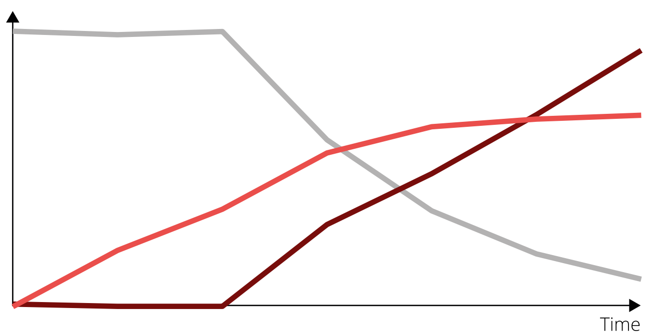
Representative Companies' financials are individually stressed under each NGFS climate scenario across a set of key financial risk drivers (i.e., volume, price, unit cost, etc) to observe the impacts of transition and/or physical risk to their respective probability of default (PD). Finally, results are extrapolated to other companies of the same sector and archetype, where the Representative Company results (in the form of average PD shifts by each archetype) are applied to the rest of the companies in our non-retail book according to their assigned archetype in order to derive their own PD and rating as well as movements under each climate-stressed scenario.

Orderly Transition
e.g., Net Zero 2050 (1.4ºC)



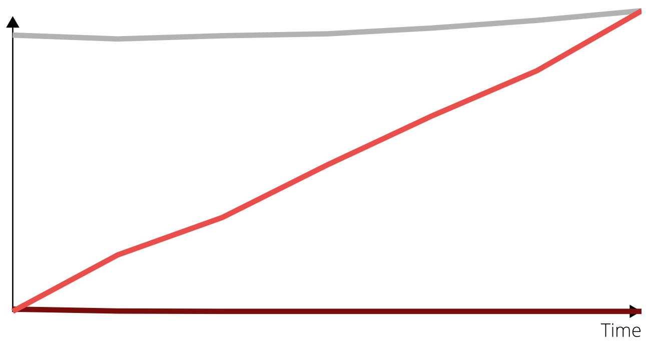
- Early and decisive action from governments, companies and consumers reduces global emissions in a gradual way
- Actions sufficient to limit global average temperature increases to below 2ºC

Disorderly Transition
e.g., Delayed Transition (1.6ºC)



- Governmental action to address climate change is delayed to 2030
- Actions sufficient to limit global average temperature increases to below 2ºC
- 10-year delay uses up global carbon budget – more significant action needed to catch up

Hot House World, BAU
e.g., Current Policies (3ºC+)



- Governments fail to introduce policies to address climate change other than those already announced
- Paris climate targets are not met – 3°C+ increase in global average temperature

Governance and Risk

1. **Selection of NGFS Climate Scenarios**
As recommended by BNM, we utilised the Network for Greening the Financial System (NGFS) scenarios when undertaking the CSA PoC, focusing on transition risk parameters and drivers. NGFS provides scenarios that are recognised across the industry, ensuring consistency and comparability in financial institutions' assessments. Adopting the NGFS scenarios enables us to align with common industry practices, enhance transparency, and facilitate better collaboration in addressing the challenges associated with CSA at the industry level.

Three NGFS scenarios were chosen for the CSA PoC: Net Zero 2050 (orderly), Delayed Transition (disorderly) and Current Policies (hot house world).

Sector-specific and sector-agnostic risk parameters derived from the NGFS scenarios were integrated and translated into key transition risk drivers in our CSA models, which were then used to simulate the impact on the financial performance and position of evaluated companies over a 30-year projection period, as further elaborated in step 4.

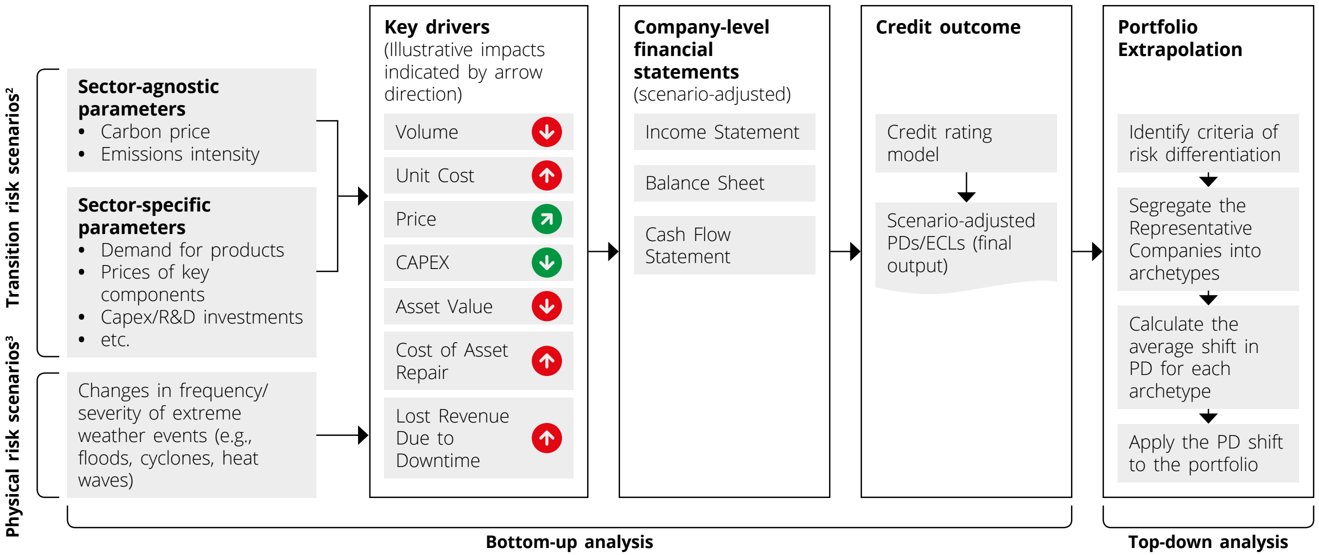
2. **Company selection and segmentation**
To ensure a fair representation of our Portfolio, approximately 10 to 13 publicly listed companies (PLCs) and private companies across the ASEAN region were identified as Representative Companies for each sector. In total, our assessment sample comprised around 100 companies across the eight sectors, which were further segmented and assigned with an appropriate archetype.[1]

3. **Data gathering**
The CSA PoC required a large amount of financial information (e.g. income statements, balance sheets, cash flow statements) and non-financial data (e.g. Scope 1, 2 and 3 GHG emissions), particularly during the bottom-up assessment stage, where we conducted in-depth analysis of the Representative Companies. External data sources and proxies were used to enrich and complement the existing internal data points.

4. **Bottom-up analysis of Representative Companies**
By applying either the sector-specific or emissions-based model, the financials of each Representative Company was stressed based on key transition risk drivers under each chosen NGFS scenario. For instance, under the 2050 Net Zero scenario, a power generation company would be subjected to a hypothetical transition compelled by the need to decrease the proportion of fossil fuels in its energy mix whilst boosting renewable energy generation to meet accelerating electricity demands. The financial impact of such hypothetical stress, as imposed through drivers such as Price, Volume, CAPEX, Unit Cost and Asset Value was assessed based on a set of financial variables, which were then used to derive its PD values and PD shifts from the baseline (i.e. without climate stress) as well as climate-adjusted ratings (using CIMB's internal credit rating models), at 5-year intervals across a 30-year horizon under each NGFS scenario.

In order to meet our objective of investigating the climate risk sensitivity of different companies in our portfolio, we assumed all companies within the eight sectors would adhere to the sectoral transition pathways as outlined by the NGFS. This analysis did not factor in the companies' individual climate commitments or transition plans, nor the purpose of our financing for those companies (i.e., with dedicated use of proceeds in green projects or activities).

5. **Extrapolation of climate impacts to other companies of the same archetype**
Archetype-level average shifts in PD under each scenario derived from the bottom-up assessment of Representative Companies were applied and extrapolated across our Portfolio companies based on their respective sector and pre-assigned archetypes. The outputs, which are projected PD values for each Portfolio company, were converted into climate-adjusted credit ratings using CIMB's internal credit rating models. Separately, the PD projection of each Portfolio company were used to compute its respective climate-adjusted expected credit loss (ECL).



[1] *Similar segmentation and assignment of archetypes were repeated for the rest of the companies in our Portfolio for extrapolation purposes later.*
[2] *Derived from NGFS.*
[3] *Due to time constraints, the CSA PoC did not extend to physical risk aspects.*

OUR LEARNINGS

Findings from the CSA PoC indicate that the impact of transition risk, especially under the Net Zero 2050 scenario, varies significantly across different sectors. Sectors or companies that have significant emission intensity profiles, weaker starting financials, and are operating in geographies with tighter climate rules (e.g. high carbon tax) or in markets with higher demand price elasticities, are likely to be subjected to higher financial and credit risks as a result of transition risk.

The CSA PoC was an important internal first step in implementing a systematic and proactive approach to managing the risks and opportunities associated with climate change, as well as to help our clients navigate a rapidly changing environment. The results of CSA can be applied in a number of ways, including:

Underwriting
To understand the risk of large, long-tenure loans/investments in high transition risk sectors

Net Zero Planning
To use climate risk assessments to guide our sectoral strategies around portfolio decarbonisation

Account Planning
To enable relationship managers to identify specific green financing opportunities and offer transition advisory support to clients

When undertaking the CSA PoC, we encountered several key challenges that are inherent to the CSA-related area of work:

Data Availability and Quality	Reliance on external data providers to furnish/extract financial and non-financial data points of companies. Proxies were applied if data was not available, both internally and externally.
Methodological Limitations	Due to data limitations, certain assumptions adopted were based on foreign markets (e.g. price elasticities, cost pass-through) and were therefore indicative in nature rather than a true representation of domestic market conditions.

Notwithstanding the challenges above, we acknowledge the continuous evolution of this field and are committed to enhancing our climate models, methodologies, and tools for evaluating customer sensitivities to climate. We endeavour to take pragmatic steps such as working with the financial services industry to overcome data challenges, strengthening our internal CSA models with updated NGFS scenarios, and incorporating physical risk drivers into the models in the future.

QUALITATIVE ASSESSMENT ON OTHER RISK TYPES

We have started to consider the climate-driven impact of both transition and physical risks on our non-credit risk types, including:

- **Market Risk**
  Through qualitative assessments of first and second-order impacts of climate-related events on market risk, we have concluded that transition and physical risk events from climate change are unlikely to materially affect CIMB's market risk levels at this juncture.

- **Liquidity Risk**
  Liquidity risk impact from climate stress events has been qualitatively assessed and found to be lower than the scenarios that the Bank currently accounts for in its existing stress testing exercises. As such, the liquidity buffers that the Bank currently maintains should suffice in mitigating climate-related liquidity risk events. No quantitative assessment has been conducted.

- **Operational Risk**
  Climate drivers can result in heightened operational risk and business continuity concerns through physical risk events and, to a lesser extent, through transition risk drivers. Both transition and physical acute event-driven operational risks are already covered to an extent by CIMB Group's existing BCM processes, while chronic events are by nature less material owing to their more gradual longer-term impacts.

Governance and Risk

RISK MANAGEMENT

We are guided by our Sustainability Risk Management Framework, which ensures that our approach to the assessment and management of sustainability risks is consistent with the Group's Enterprise-wide Risk Management Framework.

Sustainability Risk, which includes climate-related Transition Risk and Physical Risk, is recognised both as a principal and a cross-cutting risk that can impact other risk categories such as credit risk, reputational risk, operational risk, market risk, as well as liquidity and funding risk. In light of this, we have initiated a review of the Group Risk Library to provide clarity to the interconnected nature of Sustainability Risk (including climate) as well as the roles and responsibilities of various parties in managing such risks across the organisation.

In 2023, we completed a review of the Group Risk Appetite Statement (Group RAS) to incorporate a qualitative risk appetite statement on Sustainability Risk (Sustainability RAS). A preliminary list of proposed quantitative sustainability and climate-related metrics has been developed and will be formalised in 2024. Once finalised, the qualitative Sustainability RAS (alongside the quantitative metrics) will be integrated into key risk and business processes, as well as business strategy, for future management and monitoring.

ASSESSING AND MANAGING OUR EXPOSURE TO CLIMATE-RELATED RISKS

We apply a multi-faceted approach to climate risk assessment, guided by the following principles:

- **Embed Climate Risk Considerations**
  Wherever possible, we embed climate risk considerations into an existing risk ecosystem, such as our Enterprise-wide Risk Management Framework, Group Risk Library, among others

- **Take Risk-based Approach**
  We take a risk-based approach to assessing and managing climate risks, focusing on areas that are most material to CIMB and the climate

- **Deploy Quantitative Tools**
  We use quantitative tools and contextualise climate risks using common risk and financial metrics, especially for scenario analysis and stress testing

- **Constantly Strengthen Data**
  We continually develop and strengthen the quality of climate data such as improving the availability and quality of our clients' greenhouse gas emissions

- **Synergise Top-down, Bottom-up Assessments**
  We converge top-down portfolio-level assessment with bottom-up customer-level analysis to gain meaningful insights and enable more targeted actions

Our Suite of Climate Risk Assessment Tools

Tool and Assessment Level	Climate Risk Types Considered	Methodology	Management Actions
Material Risk Assessment (MRA) *at portfolio level*	• Transition • Physical	MRA is the starting point of CIMB's Internal Capital Adequacy Assessment Process (ICAAP) Business Units and Enablers perform an annual self-assessment of the non-measurable risks (e.g., Sustainability Risk) inherent in their significant business activities and assess their control effectiveness Group Sustainability, as the owner and subject matter expert for Sustainability Risk, leverages the Group's MRA exercise to ensure that relevant divisions duly consider sustainability and climate-related risks from the point of risk-taking activities	Losses associated with non-measurable risks are estimated, and capital will be set aside for that purpose
Sustainability Risk Dashboard *at portfolio level*	• Transition • Physical	We report our financing exposure to High Sustainability Risk sectors as a proxy indicator for our vulnerability to transition risk to relevant risk committees at management and Board levels In addition to risk aspects, GSSIPS performance is reported as part of the dashboard to provide a more holistic picture from both the risk and opportunity perspectives	We intend to leverage the dashboard to establish appropriate risk appetite metrics and thresholds for sustainability and climate-related risks. We expect this exercise to take another few years to mature, as market best practices are still emerging and developing
Climate Scenario Analysis *Bottom-up and top-down assessment on non-retail segment*	• Transition • Physical	Refer to pages 52 to 55 for our detailed methodologies	Refer to pages 52 to 55 for potential list of applications
Sustainability Due Diligence *at non-retail client/ transaction level*	• Transition • Physical	Our Sustainability Due Diligence process assesses and considers climate-related transition and physical risks alongside other E&S risks for a robust and better informed decision-making process We utilise tools such as the Coastal Risk Screening Tool developed by Climate Central and review historical data to determine flood risk. We also ensure continued relevance of our assessments on transition risk by periodically reviewing our sector requirements in alignment with changes in public policy, regulations, and stakeholder expectations Refer to pages 35 to 40 for more information	Clients found to be exposed to high sustainability risks may be required to commit to mitigating action plans, and the transaction may be subjected to escalated approval In cases where the risk is too high, we may decline the application

Governance and Risk

Tool and Assessment Level	Climate Risk Types Considered	Methodology	Management Actions
Financed Emissions Inventory *at client and portfolio levels*	• Transition • Physical	Our methodologies are provided in detail on pages 46 to 49 of the Understanding Our Financed Emissions section	Refer to Understanding our Financed Emissions section on pages 46 to 49
GSSIPS Tool *at client/ transaction level*	• Transition • Physical	We have clear criteria for what we consider as climate-supporting assets, which we use to consistently classify and report our financing and investments. We continue to update the tool in line with regulatory expectations and the latest technical screening criteria for sustainable financing activities In Malaysia, the tool allows us to determine the overall proportion of our assets that fall under the "green" or "climate-supporting" category, versus the "transitioning" and "brown" categories as per BNM's Climate Change and Principle-based Taxonomy. For Indonesia, we report financing which is aligned to Sustainable Business Activity Categories (Kategori Kegiatan Usaha Berkelanjutan) based on Indonesia's Financial Services Authority (Otoritas Jasa Keuangan) guidelines Refer to the Sustainable and Responsible Finance: Driving Positive Impacts section on pages 85 to 91	The percentage of "green" and "transitioning" assets are some of the indicators we use to gauge whether we are on target to achieve our 2050 Net Zero objective and the national agenda of those countries which we operate in. By monitoring this in our financing portfolio, we can drive our client engagement and solution offerings in the right direction. For example, via this tool, we can identify and subsequently engage clients who have not set up their transition plans, and help to provide the necessary advisory support

As we continue to sharpen the sensitivity and rigour of our climate risk assessment tools, we are also committed to strengthening our climate risk management approaches. Several controls and measures have been in put in place to mitigate potential impacts of climate-related risks, including:

- Integration of an Overall Sustainability Rating (which accounts for climate-related risks) into the Group's Risk Posture[1] setting exercise, to inform and steer annual budgeting and business planning processes
- Application of a climate overlay (referencing the Transition Risk Heatmap developed as part of the UNEP FI TCFD Phase II banking pilot) as modifier to sector appetite within the Group's Country Sector Limit Methodology. For example, if a sector's sensitivity to transition risks is assessed as "high" or "unsatisfactory" based on the Transition Risk Heatmap, the sector's appetite may be adjusted down to "Restricted" if the existing appetite level is higher
- Management of physical event-driven operational risks (e.g. business disruptions and asset damages as a result of extreme weather events such as floods) as part of the Group's Business Continuity Management (BCM) processes

In line with the expectations set forth by BNM and other regulators, we aim to further streamline and enhance our climate risk management approaches in future, for example via:

- Formalising a set of quantitative sustainability and climate-related metrics (with thresholds and limits, where applicable) as part of the Group Risk Appetite dashboard, for targeted monitoring and proactive management
- Further entrenching climate risk management into the Enterprise-wide Risk Management Framework through development of a dedicated climate policy, followed by harmonisation of other existing policies and procedures (such as the Group Sustainability Policy), where applicable
- Enhancing our Sustainability Due Diligence process to include more granular questions and analysis revolving around climate-related transition and physical risks

[1] *Risk Posture, which forms part of the Risk Appetite Statement, is a tool used by the Board to set a high-level risk direction before the commencement of the formal budgeting process.*

METRICS AND TARGETS

PCAF Asset Class[2]	FY2022 (Baseline)[1]							FY2021[1]	FY2020[1]
	In-Scope Exposures Assessed for Financed Emissions (RM mil)[3]	Scope 1 and 2 Absolute Emissions (tCO_2e)	Scope 1 and 2 Emission Intensity (tCO_2e/RM mil)	Weighted Data Quality Score for Scope 1 & 2	Scope 3 Absolute Emissions (tCO_2e)[4]	Scope 3 Emission Intensity (tCO_2e/RM mil)[4]	Weighted Data Quality Score for Scope 3[4]	Scope 1 and 2 Absolute Emissions (tCO_2e)	
Business Loans & Unlisted Equity	102,376	9,105,807	88.94	4.16	2,135,914	277.02	4.24	**10,503,676**	**10,491,056**
Commercial Real Estate	25,011	1,184,487	47.36	4.03				**412,032**	**421,582**
Listed Equity & Corporate Bonds	15,291	2,438,889	159.50	3.13	208,448	97.43	2.77		
Mortgages	131,472	1,796,413	13.66	4.00				**1,397,560**	**1,351,667**
Motor Vehicles	28,189	1,952,320	69.26	2.60				**1,497,380**	**1,591,503**

Sector	FY2022 (Baseline)[1]							FY2021[1]	FY2020[1]
	In-Scope Exposures Assessed for Financed Emissions (RM mil)	Scope 1 and 2 Absolute Emissions (tCO_2e)	Scope 1 and 2 Emission Intensity (tCO_2e/RM mil)	Weighted Data Quality Score for Scope 1 & 2	Scope 3 Absolute Emissions (tCO_2e)[4]	Scope 3 Emission Intensity (tCO_2e/RM mil)[4]	Weighted Data Quality Score for Scope 3[4]	Scope 1 and 2 Absolute Emissions (tCO_2e)	
Agriculture	25,442	2,934,867	115.36	3.93				**1,120,200**	**1,441,225**
Cement	2,202	1,145,749	520.34	2.89				**2,782,768**	**2,095,523**
Coal	2,362	425,061	179.99	3.05				**1,302,374**	**1,101,416**
Iron & Steel, Aluminium	3,350	453,350	135.33	4.38				**29,640**	**60,858**
Oil and Gas	9,850	1,159,354	117.70	3.68	2,344,362	238.01	3.92	**3,070,049**	**4,133,617**
Real Estate	208,640	3,515,975	16.85	4.09				**1,832,402**	**1,795,380**
Transportation	37,341	2,289,468	61.31	2.95				**1,715,140**	**1,832,162**
Utilities	13,154	4,554,091	346.22	3.37				**1,958,077**	**1,395,630**

1 2022 Baseline was established based on the Group's Financed Emissions Calculation Methodology which was strengthened in 2023 to cover, among others, the following:-
- *calculation and estimation approach for the newly added Listed Equity and Corporate Bonds asset class;*
- *inclusion/exclusion of selected sub-sectors and/or clients to be subjected to financed emissions assessment (i.e., in-scope exposures assessed for financed emissions)*
- *an updated list of PCAF emission factors as of March 2023*
- *revised assumptions including estimated local/regional statistical data on distance travelled for motor vehicle loans asset class and average floor area per building type for mortgages asset class, as well as the baseline recalculation criteria.*

Financed emissions for FY2020 and FY2021 were not restated or recalculated per the enhanced Financed Emissions Calculation Methodology on the grounds that FY2022 serves as the base year for the Group's financed emissions inventory (in line with the base year used in selected sector-specific climate targets of the Group), and that recalculation of previous years' performance requires a significant level of effort to complete. In this regard, any variations in terms of absolute emissions between FY2022 and FY2020-2021 are not solely an indication of the Group's decarbonisation outcomes but rather attributable to methodological differences.

2 We intend to broaden the coverage of our financed emissions inventory by including the remaining PCAF asset classes (e.g. Sovereign Debt and Project Finance, Facilitated Emissions) and sectors other than the nine carbon-intensive sectors listed above (e.g. Manufacturing) in the future.

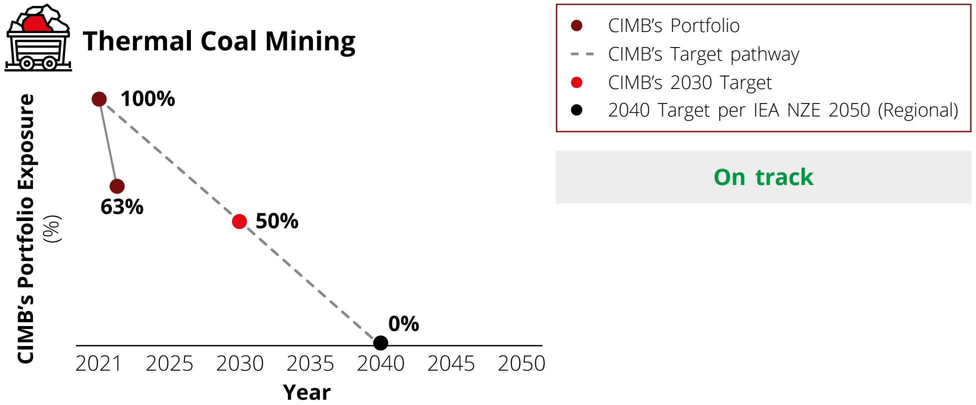
3 This refers to the total outstanding amount that is in-scope for financed emissions calculation and estimation. Scoping was undertaken to exclude certain types of financing facilities and investments such as individual clients (applicable to Business Loans and Unlisted Equity asset class), investments that are held for trading (applicable to Listed Equity and Corporate Bonds asset class) and home equity loans/lines of credit (applicable to Mortgages asset class).

4 Calculation and estimation of scope 3 emissions currently only extends to Oil & Gas sector of the Group's financing and investment portfolios. We intend to augment the coverage to cover other sectors in due course.

Governance and Risk

PROGRESS TOWARDS 2030 SECTOR-SPECIFIC CLIMATE TARGETS

Thermal Coal Mining



On track

Scope

Thermal coal mining clients

Decarbonisation Levers

- Strict adherence with prohibitions within our Coal Sector Guide
- Periodically strengthening our Coal Sector Guide such as through scope expansion and introducing revenue and/or fuel mix thresholds for new and existing clients
- Proactive client engagement to support clients' diversification plans
- Ensure relevant controls are in place to best manage the socio-economic impacts from wind downs

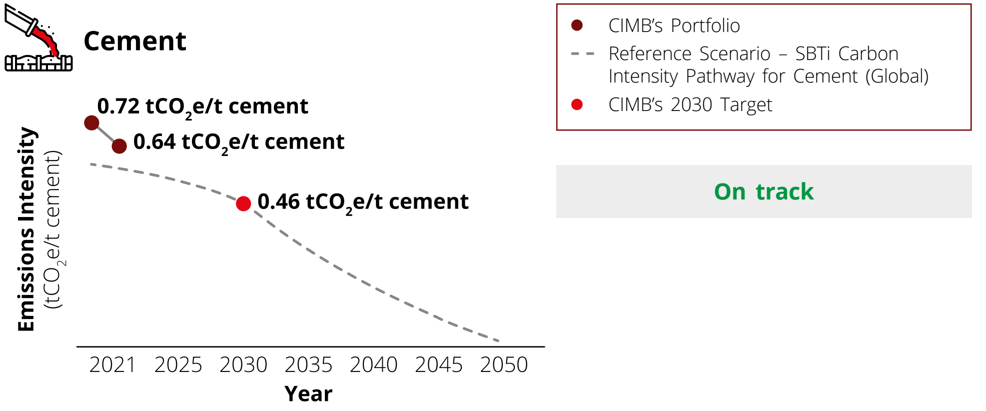
Coal is responsible for about 40% of the world's GHG emissions from using fossil fuels and generates over 40% of Southeast Asia's electricity. Its consumption for power generation will require drastic reduction to meet IEA's Net Zero objectives by 2050. The IEA net zero report outlines a phase-out of unabated coal by 2030 in advanced economies and by 2040 globally, with no new thermal coal mines needed post-2021. However, given its dominance in the region's energy landscape, any transition away from coal must be executed in a just manner, considering the socio-economic implications on energy security, employment and economic development.

In 2022, our portfolio exposure to Thermal Coal Mining clients decreased to 63% (indexed against the 2021 baseline), ahead of our targeted trajectory. This reduction is primarily associated with full provision of an impaired loan, along with the natural amortisation of existing facilities as well as adherence to the Group's Coal Sector Guide which prohibits all forms of asset-level or general corporate financing to new thermal coal mines and expansions.

We remain actively engaged with our clients in this sector to facilitate their diversification away from coal toward more sustainable alternatives. Through ongoing dialogue and support, we strive to mitigate socio-economic impacts and a smooth transition process.

Separately, we are currently enhancing our approach and process for the identification of diversified companies with direct revenue from thermal coal mining, which currently requires significant efforts in terms of client engagement and analysis. We can therefore expect to see fluctuations in our progress in this sector as we enhance our processes to include more clients outside of our current coal portfolio that meet the UNEP FI Guidelines threshold of >5% direct revenue from thermal coal mining, which would not have been included in our 2021 baseline. Additionally, we are also working on strengthening our Coal Sector Guide to include the implementation of tighter thresholds to progressively assist us in meeting our targets.

Cement



On track

Scope

Scope 1 and 2 emissions of Cement manufacturing clients

Decarbonisation Levers

- Encourage and support the adoption of technologies that reduce emissions
- Provide financing options that incentivise sector decarbonisation
- Influence our Real Estate clients to decarbonise which will create price signals and demand for more sustainably produced cement
- Collaborate and engage with industry organisations and regulators to contribute ideas on Construction sector decarbonisation efforts
- Onboard new Cement clients selectively with a clear transition plan aligned with Net Zero 2050

With cement being the second most consumed substance on Earth after water, and the second largest manufacturing GHG emitter globally, the Cement sector plays a critical role in global carbon emissions. According to IEA guidelines, the cement sector must reduce its CO_2 emissions 3% annually by 2030 to align with the 2050 Net Zero target.

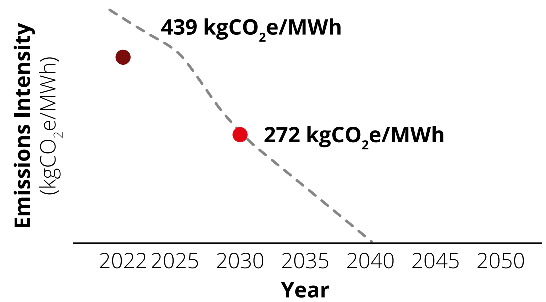
In 2022, the emissions intensity for our Cement portfolio decreased to 0.64 tCO_2e/t cement from 0.72 tCO_2e/t cement in 2021, bringing us closer to the sector's reference pathway benchmark. This positive shift can be attributed to improved data quality and coverage, enabling a more accurate reflection of our clients' transition progress which includes a slight reduction in the emissions intensity of clients included in the baseline. Variations in our funding contributions, driven by changes in credit line utilisation of our clients, also impacted the client weights at the time of measurement.

We remain dedicated to supporting our clients in their decarbonisation efforts, and are actively participating in industry-wide collaborations to advance the sector's decarbonisation, fully acknowledging current limitations on the availabilities of mature and cost-effective technologies, as emphasised in section 7.3 of our whitepaper, Our Path to Net Zero: Charting a Course to Decarbonisation. Despite the availability of certain decarbonisation technologies such as waste heat recovery systems and clinker substitution, many more such as Carbon Capture and Storage (CCS), electric kilns and alternative fuels are still either in early stages of development or not yet economically viable. As such, our assessment suggests that the pathway towards decarbonisation for this sector, particularly within our region, may not be straightforward or consistent in the near term.

Governance and Risk

Power

Power



- CIMB's Baseline
- Reference Scenario – Adjusted IEA NZE 2050 (Regional)
- CIMB's 2030 Target

Baseline established

Scope

Scope 1 emissions of Power Generation clients (including electric utilities, power plants, independent power producers and renewable energy producers)

Decarbonisation Levers

- Adhering to our commitments in the Coal Sector Guide
- Enhancing our Coal Sector Guide requirements progressively towards a coal phase-out by 2040
- Increasing the share of renewables financing in our portfolio
- Financing of CCUS technologies as a longer-term post-2030 lever
- Facilitating the early retirement of unabated fossil fuel power plants through official managed phase-out programmes, especially for clients with high dependence on coal for power generation

In line with the 2023 updates to the IEA NZE scenario, the Power sector will need to achieve Net Zero by 2040, ahead of other sectors. The pressure will be particularly high on the sector in Southeast Asia as the region's energy mix is currently dominated by fossil fuels, especially when compared with the more economically mature Western markets. As the region anticipates a 50% growth in power demand over the next decade, achieving a just transition requires balancing environmental sustainability, energy security and affordability, and socioeconomic development.

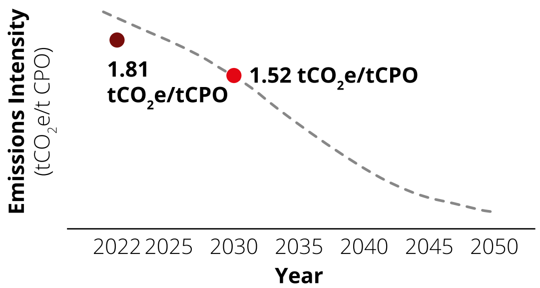
Despite the challenges, the Power sector is poised to lead the transition to a low-carbon economy, given its interdependence with other sectors; reducing carbon emissions in the Power sector not only cuts its own emissions but also reduces Scope 2 emissions for other sectors. Decarbonisation of this sector will also enhance the international competitiveness of Southeast Asian exports and reduce the impact of carbon-related duties.

Much of the technology for decarbonisation in this sector is relatively mature and has already demonstrated commercial viability and scalabilities across multiple geographies. Supportive policies such as carbon taxes and changes to fossil fuel subsidies in the Power sector will be critical to accelerate the large-scale development and deployment of renewable energy capacity in the region, and ensure that renewable generation is cost competitive. Upgrades and expansion of energy storage and other supporting infrastructure must also be deployed in tandem while enhanced regional connectivity can help balance geographical supply and demand gaps.

Our actions align with the sector's required trajectory, as we set ambitious, measurable targets to drive advancements and support our stakeholders in their journey toward this energy transition.

Palm

Palm Oil



- CIMB's Baseline
- Reference Scenario – Adjusted SBTi FLAG Commodity Pathway for Palm Oil (Regional)
- CIMB's 2030 Target

Baseline established

Scope

- Scope 1 (including land use change-related emissions and sequestration) and Scope 2 of plantation, mill and integrated clients
- Scope 3 upstream (i.e., external sourcing of fresh fruit bunches) of integrated clients

Decarbonisation Levers

- Adhering strictly to CIMB's No Deforestation, No Peat, No Exploitation (NDPE) Policy
- Supporting clients to obtain certification under international and local certification schemes i.e., Roundtable on Sustainable Palm Oil (RSPO), Malaysian Sustainable Palm Oil (MSPO), Indonesian Sustainable Palm Oil (ISPO), and International Sustainability and Carbon Certification (ISCC) and in conjunction, improving emissions data reporting
- Onboarding new certified sustainable palm oil clients, and support our existing clients to deliver and accelerate emissions intensity reduction efforts
- Financing biogas plant installation at palm oil mills
- Increasing financing and other forms of support to clients and their suppliers with a focus on economic inclusion and improving livelihoods of vulnerable groups e.g.; upskilling, increasing yields for upstream smallholders, etc.

Palm oil is an indispensable commodity globally, not only due to its wide applicability and high affordability, but also the lack of viable and readily available alternatives. However, the rapid growth in demand from palm oil has been a cause of deforestation and peatland clearance in the region, impacting important carbon sinks and biodiverse ecosystems. Social issues such as land conflicts and workers' rights have also contributed to negative associations and heightened scrutiny on the sector. Nonetheless, as a primary industry and significant agriculture export, palm oil is also directly responsible for a significant portion of the GDP (3-5%) of Malaysia and Indonesia, our two largest markets. This sector also provides employment for millions, especially in rural communities. Thus, transition efforts must consider economic implications for these nations and ensure just outcomes for affected communities.

Key levers include halting deforestation, implementing NDPE policies, and adopting climate-conscious practices while safeguarding human rights. Collaboration between governments, regulators, industry stakeholders and NGOs, enhanced by certification schemes over the past two decades, has been pivotal, achieving record low deforestation levels in both Malaysia and Indonesia. These national and international certification schemes serve as crucial catalysts for change, establishing standards, providing guidance and verifying sustainable palm oil production.

Financial institutions also play a vital role in fostering change. As a bank providing financing to this crucial sector, we have significant impact in promoting and facilitating emission reduction strategies for palm oil producers and other industry stakeholders. Our approach involves actively engaging and supporting clients in obtaining sustainable palm oil certifications such as MSPO, ISPO, RSPO and ISCC as required by our Palm Oil Sector Guide, which is applicable to clients involved in oil palm plantations as well as the production of palm oil and its products.

Governance and Risk

BIODIVERSITY AND ECOSYSTEM INTEGRITY

We operate in countries that are home to some of the world's most vital ecological biospheres. However, human activities have directly contributed to the decline in biodiversity over the decades. Extensive land use change and the overexploitation of species are some of the main factors fueling habitat and wildlife loss in this region.

It is estimated that more than one million species are now threatened with extinction[1], with 80% of threatened or near-threatened species impacted by human activity related to food production, infrastructure, energy and extractive industries[2]. 'Business as usual' will not only cause irreversible destruction of biodiversity, but will have socio-economic consequences as a result of the dependence of businesses on nature and its services, for example for food and water. The World Economic Forum estimates that US$44 trillion of economic value creation is at risk from continued destruction of nature from human activities[2].

NO DEFORESTATION, NO PEAT, AND NO EXPLOITATION

In 2022, we rolled out our No Deforestation, No Peat, and No Exploitation (NDPE) commitment to the Palm Oil, Forestry (including Rubber), and Timber Plantation sectors. Our efforts in 2023 focused on encouraging our clients in these sectors to commit to the NDPE principles. We will continue to improve our NDPE policy by benchmarking against industry best practices to identify avenues for improvement.

Biodiversity and ecosystem integrity was identified as a new material matter for CIMB in early 2023, and we are committed to playing our part in protecting and enhancing biodiversity and ecosystem integrity. We have begun to assess biodiversity risks in our financing decisions, and to put in place guidelines to manage these risks and impacts.

This underscores our continued dedication to integrating responsible business practices into every level of decision making.

| Our NDPE Commitment embedded within our Sustainable Finance Framework

[1] *Land degradation neutrality for Biodiversity Conservation, UNCCD (2019).*
[2] *New Nature Economy Report II: The Future of Nature and Business, World Economic Forum (2020).*

BIODIVERSITY RISK ASSESSMENT

In 2023, we developed a comprehensive Deforestation and Biodiversity Risk Assessment process which boosts our ability to assess biodiversity risks in the projects and clients that we finance.

The process relies on a synthesis of data gleaned from three separate web applications providing nearly real-time information on peatlands, areas managed for conservation goals, including UNESCO-MAB Biosphere Reserves and Ramsar Sites, as well as IUCN management categories encompassing legally protected areas (such as national parks, wildlife reserves). These insights help to us to ascertain whether further detailed risk assessments are needed to evaluate both physical and reputational biodiversity risks. This approach allows us to validate information, make more informed decisions and provide evidence-based guidance to our stakeholders in forming strategies to effectively address biodiversity challenges within their business activities.

This process has been piloted and is being implemented by trained staff across Malaysia, Indonesia, Singapore, Thailand and Cambodia. This new assessment is part of our Enhanced Sustainability Due Diligence (ESDD) toolkit and has been instrumental this year in evaluating two high-profile Malaysian cases, significantly strengthening the integrity of our Enhanced Sustainability Due Diligence process.

STAKEHOLDER ENGAGEMENT

We recognise that protecting biodiversity requires an all-of-society approach. To this end, we proactively engage our clients, guiding them on their path to sustainability and helping close any gaps in their biodiversity practices. Additionally, we shared our methods for assessing biodiversity risks with our peers in the Bank Negara Malaysia Climate Change Principle-based Taxonomy Implementation Group, aiming to inspire broader adoption of these best practices.

We are also part of the Malaysian National Biodiversity Policy Implementation – Business Advisory Group, which is working to develop the strategy and roadmap for the private sector to support the Kunming-Montreal Global Biodiversity Framework goals in Malaysia.

Since the introduction of our NDPE commitment requirements to the Palm, Forestry (including Rubber) sectors in 2022, we have so far engaged with and issued NPDE related action plans to 17 clients. Examples of action plans issued include requirements for a commitment towards NDPE and to conduct a High Conservation Values (HCV) assessment prior to land clearing activities. For more information on sustainability engagements, please refer to page 38.

How We Work With Our Investors
Mr. Snorre Gjerde, Lead Investment Stewardship Manager

Norges Bank Investment Management manages the Norwegian Government Pension Fund Global, one of the world's largest funds, owning almost 1.5% of all shares in the world's listed companies. We have been an investor in CIMB Group Bhd for many years.

Since 2019, CIMB has been an active participant in a series of sustainability workshops we have organised for financial institutions and consumer goods producers in Southeast Asia. These workshops serve as a platform for conveying our expectations as a responsible investor, and to deepen our understanding of how companies we own are addressing critical sustainability challenges, such as deforestation and labour issues. Our focus has been on building capacity, exploring best practices and joint solutions to these issues, and discussing ways in which investors and financiers can facilitate the transition towards more transparent and sustainable commodity value chains.

We have been encouraged to see the enhancements in CIMB's sustainability-related policies and practices over the past few years, notably the introduction of No Deforestation, No Peat, No Exploitation into its Palm Oil sector policy, and the broader commitment to be Net Zero by 2050. CIMB's initiative to set a 2030 financed emissions reduction target for the Palm Oil sector, based on the Science-Based Target initiative's Forest Land and Agriculture (FLAG) standard, is particularly noteworthy as a global first among financial institutions.

We look forward to continuing our constructive dialogue with CIMB, and to following the bank's progress against its sustainability commitments.

Governance and Risk

Reviewing CIMB's Net Zero Target for Palm Oil
WWF – Malaysia

A recent WWF-Malaysia study using the Biodiversity Risk Filter tool revealed that the Palm Oil sector poses significant physical risks to biodiversity, scoring 3.9 out of 5. Financial institutions face substantial risk exposure through palm oil financing activities. Despite increasing recognition of palm oil's significance as a key sector, the Sustainable Banking Assessment (SUSBA) 2022, assessing the environmental and social (E&S) integration performance of 46 banks in the region, reveals a persistent gap between recognition and effective risk integration, urging tangible action. Against this backdrop, CIMB's commitment to reduce the emissions intensity of its Palm Oil portfolio by 16% by 2030 (from its 2022 baseline year), aligned with a broader Net Zero decarbonisation pathway, marks a pioneering step.

Achieving net zero in the Palm Oil sector necessitates transitioning to a nature-positive economy, which supports a just transition. Complementing its Net Zero targets, CIMB's NDPE policy will play a key role in achieving this. Requiring clients to conduct HCV assessments and commit to conserving primary forests and HCV areas (including peat) before land clearing helps prevent further GHG emissions and biodiversity loss, while offering opportunities for ecosystem restoration. Moreover, over 3 million smallholders in the region, who contribute to over 40% of palm oil production, depend on the industry for their livelihoods. Financial institutions' commitment toward including and supporting smallholders in the transition and upholding human rights throughout the value chain is crucial for protecting and improving their livelihoods. Looking ahead, enhanced transparency in the implementation of policies such as NDPE and human rights assessments is imperative for banks.

Another gap identified in WWF's Sustainable Banking Assessment (SUSBA) assessment is the limited coverage of palm oil policies by banks, often failing to extend across the entire value chain. CIMB's inclusion of upstream Scope 3 emissions from smallholder Fresh Fruit Bunch (FFB) procurement in its Net Zero target is encouraging. A recent WWF paper analysing financial flows linked to palm oil companies (large retailers, food and beverage and consumer goods companies) highlights the potential risks financial institutions face in financing the downstream sector. With the upcoming deforestation-free commodity regulations, there is an urgency to expand palm oil policies and emission monitoring across the value chain. Tools like WWF's Palm Oil Buyers Scorecard (POBS) can aid financial institutions in evaluating deforestation, conversion, and human rights risks among palm oil buyers.

CIMB's adoption of a science-based approach, aligned with the Science-Based Targets initiative's Forest, Land and Agriculture (SBTi FLAG) pathway, is a step in the right direction - continued monitoring and updating of targets based on evolving climate science are essential to ensure relevance. Financial institutions should continue to drive decarbonisation strategies that foster a supportive environment which promotes sustainable and traceable palm oil practices. These efforts should embrace a multi-faceted approach, encompassing a jurisdictional approach anchored on protection, production and restoration, supporting better land-use planning practices, investing in smallholder support programmes, and also exploring sustainable landscape approaches that benefit all stakeholders. Programmes like the Asia Sustainable Palm Oil Links (ASPOL), which aim to halt deforestation in palm oil supply chains in Asia while promoting sustainable trade, consumption and production, serve as a model in this regard.

While palm oil occupies a complex space in the sustainability landscape, WWF believes the industry does not have to be destructive and can be transformed through sustainable practices. We encourage financial institutions to continue refining strategies and demonstrate transparency in their progress reporting against set targets periodically. We call upon the financial sector to collaborate across the palm oil ecosystem, actively engaging with industry players to enable sustainable production and consumption, towards accelerating the sector's decarbonisation in a manner that benefits both people and nature.

HUMAN RIGHTS

From empowering and enabling employees, and fostering fair practices with clients and vendors, to participating in state-level conversations on policy formulations, CIMB is dedicated to upholding the best human rights practices across our operations and supply chains, aligning with global and local standards. We are committed to interactions that are founded on fairness, trust, respect and dignity because we believe a sustainable future is where every individual is valued, communities thrive in harmony and businesses drive positive social change.

HUMAN RIGHTS GOVERNANCE

Recognising the significance of human rights within our operations, we have established a robust governance framework, overseen at the highest level of authority within the Bank. The Board of Directors and the Group Sustainability and Governance Committee bear the ultimate responsibility for human rights, ensuring stringent oversight. At the managerial level, the Group Chief Sustainability Officer plays a pivotal role in managing human rights risk as a key facet of sustainability risk at CIMB.

Our Group Human Rights Policy serves as a comprehensive guide, delineating our commitments and the approach to addressing our most critical human rights risks. Aligned with the United Nations Guiding Principles (UNGP) on Business and Human Rights, the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking and Bank Negara Malaysia's Value-based Intermediation Financing and Investment Impact Assessment Framework, our Policy underscores our commitment to upholding international human rights standards. The Policy is adopted across all our businesses within the region and localised in Indonesia, Thailand, Cambodia and Vietnam.

| Human Rights Statement

TURNING OUR POLICY INTO ACTION

HUMAN RIGHTS DUE DILIGENCE

The implementation of our Policy extends across all aspects of our business, with the most significant human rights risk stemming from our financing activities. To proactively manage this risk, we integrated human rights considerations into our financing procedures, deeming them crucial elements in our risk assessment processes. Our approach in carrying out human rights due diligence is outlined on our website.

To address human rights risks associated with our clients, we require our high-risk clients to implement action plans such as publishing a human rights policy and establishing a grievance mechanism. Out of the 12 action plans due in 2023, 83% of our clients have successfully completed their respective action plans. We are continuing our engagements to support the remaining two clients in completing their action plans.

Beginning 2023, we have established a target to ensure that a minimum of 75% of our clients successfully complete their action plans due that year. This commitment strengthens our dedication to mitigating human rights risks and fostering responsible practices among our clientele.

CAPABILITY BUILDING

Strengthening internal capabilities is crucial in effectively implementing human rights initiatives. In Thailand and Cambodia, where the Policy was localised in April and May 2023, dedicated training sessions were conducted for key employees to enhance awareness and provide clarity on the implementation of the Policy. Approximately 450 employees attended the sessions, which covered the practical aspects of conducting due diligence.

We recognise the value of sharing best practices to enhance our internal processes. As a member of the UNEP FI Community of Practice, we actively participate in quarterly sessions with banks from around the world. These sessions provide a platform for sharing and learning from each other's best practices, fostering collaborative ideation and solutioning to address shared challenges.

Governance and Risk

EMPOWERING OUR CLIENTS AND VENDORS

Recognising the unique challenges faced by some clients and vendors in meeting our human rights expectations and requirements, in 2023, we initiated a collaboration with the Earthworm Foundation to enhance the capabilities of our Malaysian clients and vendors. A pivotal component of this effort was a three half-day, sector-specific training session held in July. The session was attended by 85 vendors and clients operating in high-risk sectors such as Manufacturing, Construction, Forestry and Agriculture. The training covered essential topics including the International Labour Organisation's 11 indicators of forced labour, conducting risk assessments and an effective grievance mechanism.

As a follow-up to this training, we developed templates to assist our clients in crafting their human rights policies, conducting due diligence and implementing grievance mechanisms.

SUPPORTING REGULATORY AND INDUSTRY DEVELOPMENTS

Effective management of human rights risk by businesses necessitates robust national regulations. This pivotal role of the state is underscored as one of the three main pillars of the UNGP. As a leading bank in the region, we actively engaged in the development of national regulations. In Malaysia, we contributed to the formulation of the National Baseline Assessment on Business and Human Rights by participating in workshops and interviews. The baseline assessment will contribute towards the National Business and Human Rights Action Plan (NBHRAP) 2025-2030 to be launched in 2024.

As a member of the CEO Action Network (CAN), we collaborate with other members in capacity-building sessions and advocate for member companies to commit to and adopt human rights standards set by the UN Guiding Principles. As of now, CAN has over 70 member companies operating in Malaysia.

OUR HUMAN RIGHTS PROGRESS AND PERFORMANCE

To gauge our organisation-wide progress and effectiveness in implementing our human rights commitments, we have established a target to achieve a 75% completion rate of our clients' human rights action plans. Additionally, we have identified key metrics that will be measured and reported on an annual basis to bring transparency to our efforts and progress. These indicators will undergo periodic reviews to ensure that we are disclosing the most meaningful measures effectively.

Metric	Measurement	2023 Performance
Clients engaged on human rights topics[1]	Number of clients	45 clients
Employees trained in human rights[2]	Number of employees	542 employees
Suppliers engaged in human rights[1]	Number of suppliers	288 suppliers
Suppliers who have acknowledged our Vendor Code of Conduct, including human rights commitments[3]	Percentage of suppliers	81% of suppliers

2023 is the first year of tracking these metrics post the rollout of our Human Rights Policy in 2022. We will commence year-on-year comparisons in 2024.
1 Malaysia only.
2 Malaysia, Thailand and Cambodia only.
3 Group level only.

In 2024, our priority is to align the Group's human rights values across all regional entities, paving the way for consistent implementation of associated policies, procedures and approaches throughout the organisation.

We are currently working to enhance our human rights internal and external grievance mechanism, aligning it with the best practices of the UNGP. Additionally, we aspire to cultivate cross-industry engagements starting in Malaysia, promoting the exchange and adoption of best practices.