

Sustainability Progress Report by Group Chairman and Group CEO

Dear Stakeholders,

2022 was a year of global events that continue to shape the global business landscape. Climate disasters, rising inflation, energy and food insecurity and other societal challenges have climbed up the agenda of countries, businesses and individuals. All these have further reinforced the urgent need for a just transition towards a more sustainable, inclusive and resilient economy.

At CIMB, we remained steadfast in driving the sustainability agenda across the ASEAN region. Despite the constant change and volatility, we continued raising the bar on sustainability innovation. We focused on pioneering solutions that not only combat climate change and societal injustices, but ultimately create shared value for all our stakeholders.

Sustainability is a strategic priority for CIMB, and as a responsible financial services provider, we are committed to driving net positive impacts not only within the Group, but among stakeholders across the region.



Datuk Mohd Nasir Ahmad
Chairman

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



Sustainability Progress Report by Group Chairman and Group CEO

Sustainability is no longer at the margins of business; it is in the mainstream. There have been growing concerns about climate change and the inevitable shift to a low-carbon economy. This, coupled with rising social inequalities, has resulted in heightened scrutiny of business practices. Companies that do not make meaningful progress in integrating sustainability into their business decisions expose themselves to various sustainability risks that ultimately impact their long-term performance. While sustainability-related risks are a strong motivation for businesses to adopt sustainability, the clear opportunities cement the business case for change. Within the banking industry, global sustainability bonds raised a record US\$200 billion (RM874 billion) in 2021, a 23% increase from 2020, while sustainability-linked bonds rose 941% to US\$118.8 billion¹.

For CIMB, we view the pursuit of sustainability as a strategic imperative. Since embarking on our sustainability journey in 2018, we have only accelerated our efforts and progress each year. As a testament to this, we reached the 80th percentile on the S&P Global Corporate Sustainability Assessment, with a score of 69, and was ranked fourth among banks globally in the inaugural 2022 Financial System Benchmark by the World Benchmarking Alliance (WBA), which measures how the world's 400 most influential financial institutions are transforming the financial system for a more just and sustainable future. While we appreciate this recognition, the WBA emphasises that significant work is still needed by all financial institutions, including CIMB. We remain as committed as ever to driving global sustainability transitions – starting with ASEAN, our home.

The role of finance in sustainable and inclusive development cannot be understated. The financial services sector is uniquely positioned to facilitate and support a just transition towards a low-carbon economy, and bridge social gaps. It is estimated that annual investments of US\$5-7 trillion are required to achieve the United Nations Sustainable Development Goals (UN SDGs) by 2030², with US\$2.4 trillion a year needed for the energy system between 2016 and 2035 to limit global warming to 1.5 degrees Celsius³. Based on current investment levels, the world is not on track.

With this in mind, we made a conscientious decision to double our sustainable finance commitment to RM60 billion by 2024, having achieved our initial RM30 billion target ahead of schedule. This commitment is guided by CIMB's Green, Social, Sustainable Impact Products and Services (GSSIPS) Framework, our internal taxonomy developed to deliver impactful sustainable finance.



80th
percentile
on the S&P
Global Corporate
Sustainability
Assessment



Doubled our commitment, targeting to mobilise
RM60
BILLION
in sustainable finance by
2024

We made significant progress on GSSIPS in 2022, through mobilising RM27.8 billion of sustainable finance in Green, Social, Sustainable Impact Products and Services, a 4.6% growth year-on-year. Over 50% of the RM27.8 billion sustainable finance mobilised in 2022 was allocated to supporting underserved communities. This includes RM10.7 billion for low-income individuals and RM3.6 billion for micro and small enterprises. On a cumulative basis, we have mobilised RM54.3 billion of sustainable finance since 2021. We also launched a pioneering Sustainability-Linked Treasury Programme, with bespoke offerings that allow our clients to embed their sustainability aspirations into their Treasury risk management solutions, spearheaded by Farm Fresh Berhad and Sunway Berhad as pioneering clients.

Sustainability efforts need to be fair, inclusive, and just, with all groups fairly represented. The transformation towards a low-carbon, climate-resilient future has to consider the various needs and expectations of all stakeholders, making sure that no one is left behind. For instance, small and medium-sized enterprises (SMEs) may not have the resources and skills needed for effective sustainability integration, thus losing business opportunities as the market evolves. This is particularly critical, considering how SMEs form the backbone of ASEAN economies, accounting for about 60–80% of total employment in the region⁴.

We have committed RM100 million in financing through Bank Negara Malaysia's Low Carbon Transition Facility (LCTF) scheme, which aims to help SMEs decarbonise their operations and thrive in a low-carbon economy. Through CIMB's LCTF, we offer SMEs collateral-free financing of up to RM10 million, with an affordable repayment period of up to ten years at a low financing rate of up to 5% per annum. In 2022, CIMB received

¹ *Global State of the Market Report 2021, Climate Bonds Initiative, April 2022.*

² *The Sustainable Development Goals Report 2022, the United Nations, July 2022.*

³ *Summary for Policymakers in IPCC Special Report, International Panel on Climate Change (IPCC), May 2018.*

⁴ *SMEs and Economic Integration in Southeast Asia, Economic Research Institute for ASEAN and East Asia, October 2019.*

Committed 
RM100
MILLION
 in collateral-free financing to SMEs through BNM's Low Carbon Transition Facility


Over 500
 Board members and senior leaders are currently undertaking customised training by the Cambridge Institute for Sustainability Leadership

more than RM50 million of LCTF applications. As of December 2022, we have approved about RM40 million in financing from various sectors of the economy, including real estate, agriculture, renewable energy and manufacturing.

As part of our SME empowerment efforts, CIMB Islamic initiated the CIMB ESG-SME Pitch Challenge in collaboration with our partners to encourage sustainability innovation amongst ASEAN entrepreneurs. The challenge brought together more than 50 high-potential revenue-generating SMEs aligned with CIMB's GSSIPS Framework across ASEAN. In Indonesia, CIMB Niaga launched a new sustainability-themed current account, Giro Kartini, the first of its kind in Indonesia. The account supports women entrepreneurs operating SMEs through preferential demand deposit rates, as well as committing CIMB Niaga to donate Rp25,000 for every new account open, which goes towards training women with disabilities on traditional weaving in Sulawesi.

As businesses rapidly shift towards sustainable business models, scaling up the talent pool is critical. In the past, sustainability was viewed by many as a compliance cost or as part of philanthropy. With the rapid acceleration of climate pledges, regulatory requirements, investor scrutiny and public attention, the rapid demand for sustainability-related skills and experience has overtaken supply. "Green jobs" grew at an annual rate of 8% between 2015 and 2022, while the "green" talent pool grew at only 6%⁵, limiting the scale and speed at which climate change and social development challenges can be addressed.

At CIMB, we are introducing dedicated sustainability talent programmes which will contribute meaningfully towards broadening and deepening the talent pool. CIMB's Sustainability Academy will offer targeted training and development to advance CIMB's sustainability goals while addressing talent scarcity in this critical field across the broader ecosystem. Over 500 Board members and senior leaders are currently undergoing customised training by the Cambridge Institute for Sustainability Leadership under the Academy. We have also launched sustainability tracks under The Complete Banker and Fusion programmes, which will fast-track young graduates into the field of sustainable finance. We hope that these efforts will help us attract and develop top industry talent across various career stages, including fresh graduates and mid-career professionals.

In the years ahead, sustainable finance will increasingly take centre stage. The recent COP27 called for structural reforms of the financial system, as well as innovative financial solutions that support positive climate and biodiversity outcomes. There is also an increasing focus on financing adaptation measures, in addition to emissions reductions initiatives.

As part of our commitments as a member of the Net Zero Banking Alliance, we announced mid-term carbon targets for our coal and cement portfolios, making us the first Malaysian bank and second in ASEAN to do so. Our focus for the coming years will be to shift our financing portfolios towards Net Zero by 2050, by ramping up innovative sustainable finance offerings and helping our clients to make the transition towards a low-carbon economy, as we continue to make positive economic, environmental and social impacts across the region.

As we look forward to 2023, we remain committed to delivering shared value for all stakeholders. Our continued progress and performance since the onset of CIMB's sustainability journey reflects the business case for sustainability integration and stakeholder centricity. As we move forward together, we will continue to catalyse positive outcomes in our business ecosystem towards achieving our aspiration of becoming a sustainability leader in ASEAN.



DATUK MOHD NASIR AHMAD
 Chairman



DATO' ABDUL RAHMAN AHMAD
 Group Chief Executive Officer/
 Executive Director

⁵ Global Green Skills Report 2022, LinkedIn Economic Graph, 2022.



The Business Case for Sustainability

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In 2022, the world faced significant setbacks in its progress towards achieving the Sustainable Development Goals (SDGs) by 2030, such as the Russia-Ukraine war that triggered cascading economic and social uncertainties throughout the rest of the world, including a reversion to fossil-fuelled power in parts of Europe. Nevertheless, momentum for companies to address global challenges such as the climate emergency and social inequalities continued to gain traction in 2022 towards an inevitable tipping point. International agreements and developments, such as the United Nations Climate Change Conference of Parties (COP27) and the Kunming-Montreal Global Biodiversity Framework, have called for urgent structural reforms from governments, civil society and businesses to combat widespread global issues.

This is a rare moment in history, as nations, businesses and individuals alike have significant opportunities to capture advantages, change mindsets, build new frameworks, and reallocate capital towards a more just and sustainable future.

Learning from the Past:

Against the headwinds of global events, we have reason to be optimistic, with a gradual settling in of a new normal after two years of widespread COVID-induced disruption. The world as we know it has fundamentally changed, and we should reflect on what we have learned and how we can apply those experiences to create a more resilient future.

The pandemic was a collaboration success story. We witnessed the development and distribution of life-saving vaccines at record-breaking time and scale, made possible through innovative platforms and technologies that enabled rapid communication, knowledge sharing and coordination. Members of the public also played their part in keeping their communities safe by adhering to social distancing protocols issued by experts. It shows we can all adapt very quickly, when pushed.

Another powerful example of multilateralism is the adoption of the Montreal Protocol in 1987, when governments came together to reverse the damage to the ozone layer. This came after scientists warned that chemicals in everyday products like aerosols, foams, refrigerators and air-conditioners had created a hole in the ozone layer. In response, around 99% of ozone-depleting substances have been phased out and the protective layer continues to be replenished⁶.

As shown in the past, society can come together for the greater good. With scientists warning of new crises arising, such as climate change and biodiversity collapse, we will require the same level of unity, collaboration and financial support to make meaningful progress.

Teoh Su Yin

Chair of Group Sustainability and Governance Committee

⁶ *Rebuilding the Ozone Layer: How the World Came Together for the Ultimate Repair Job*, United Nation Environment Programme, September 2021.

Regulatory and Policy Shifts:

The global landscape is rapidly shifting towards a low-carbon future. As governments seek to meet their climate and sustainability goals, they are adding pressure on companies to take into account and mitigate their environmental and social impacts. In 2022, many new regulations and requirements across different economies were introduced that directly or indirectly affect ASEAN businesses.

- Member governments of the European Union (EU) have agreed on the world's first major carbon border tax, known as the **Carbon Border Adjustment Mechanism**. This landmark measure adds a pollution price on certain imports to the EU, aiming to disincentivise EU companies from moving production to countries with weaker carbon laws. As ASEAN's third-largest trading partner⁷, the EU regulations will cause a ripple effect on the region, catalysing businesses to adopt stricter carbon practices, especially as reporting from impacted companies will be required starting in October 2023.
- Bursa Malaysia announced its **Enhanced Sustainability Reporting Requirements** for listed companies in Malaysia, which will take effect by the end of 2023. One key added requirement is the alignment of disclosures with the Task Force on Climate-related Financial Disclosures (TCFD), as well as a transition plan towards a low-carbon economy. The enhanced requirements aim to encourage Malaysian companies to improve their sustainability disclosures and practices to demonstrate organisational resilience, thus attracting more capital into the market to drive sustainable development.
- The Singapore Government published the **Singapore Green Bond Framework** to establish guidelines for green bond issuances by the public sector. The framework aligns with international market principles and standards such as the International Capital Market Association's Green Bond Principles 2021 and the ASEAN Capital Markets Forum's ASEAN Green Bond Standards 2018. The Singapore Government will issue up to S\$35 billion of green bonds by 2030.
- Indonesia launched *Taksonomi Hijau Indonesia* (or **Indonesia Green Taxonomy**) as part of the government's efforts to attract more capital towards sustainable finance. The Green Taxonomy is aimed at encouraging the private sector to prioritise green investments and further incentivising businesses to improve their ESG practices.
- The **Securities and Exchange Commission (SEC) Thailand** is also increasing its disclosure requirements, via a collaboration with CDP in line with TCFD recommendations. The SEC aims to co-develop a programme to improve the quantity and quality of environmental disclosures from corporates and financial institutions in Thailand.
- The Cambodian government launched the **Roadmap for Sustainable Consumption and Production 2022-2035**, establishing a 14-year plan to strengthen the resilience of the country's consumption and production systems.

Avoiding Carbon Tunnel Vision:

A key challenge in advancing the climate agenda is managing the social implications of the low-carbon transition. We cannot de-couple climate considerations from the broader sustainability agenda. Businesses need to avoid carbon tunnel vision, in which they solely strive for carbon reductions while ignoring other environmental, social and governance risks and opportunities.

For instance, if we fail to protect biodiversity, then our efforts in combating climate change would have been in vain, if mounting biodiversity losses result in cascading biodiversity collapses, severely impacting our food sources. More so, in terms of the planetary boundaries which define the thresholds within which humanity can safely live and thrive, biosphere integrity fares worse than climate change.

Furthermore, meaningful progress requires a holistic and balanced approach towards safeguarding and advancing communities and individuals, while pursuing climate action. A 2022 report by Fair Finance Asia (FFA) revealed that many financial institutions in South-East Asia are at risk of financing agribusinesses with poor social practices, including gender-based discrimination, forced and child labour, human trafficking and lack of protection of land rights. Disregarding social issues such as human rights in financing decisions promotes not only unsustainable practices, but also undermines our own sustainability performance and profitability.

In conclusion, companies must move beyond compliance and embrace holistic transformation from the environmental, social, economic and governance perspectives. At CIMB, we are committed to investigating sustainability issues across the value chain to identify sustainability-related risks, as well as opportunities to enable us to build long-term value in partnership with all our stakeholders. We are deeply passionate about being a competitive, sustainable and responsible finance leader within the ASEAN region.

TEOH SU YIN

Chair of Group Sustainability and Governance Committee

Senior Independent Director, CIMB Group Holdings Berhad

⁷ Association of South East Asian Nations (ASEAN), European Commission, 2021.