Governance & Risk

We adopt a principled approach to corporate and sustainability governance. Our commitment to sustainable value focuses on balancing stakeholders' interests – shareholders, employees, customers, communities and everyone else impacted by the work we do. Our dedication to creating sustainable value guides us in fostering a culture of transparency, accountability, and integrity, which is vital in building stakeholders' trust. By prioritising long-term value creation that benefits all, we aim to deliver meaningful and lasting positive impact.

Our robust risk and governance systems are built upon shared values and norms among our employees. This is institutionalised through:

Strong governance systems based on transparency, accountability and integrity

An integrated risk management approach that incorporates environmental and social risk considerations into daily decision-making and operations

Robust policies and frameworks that prioritise social and environmental well-being

Proactive climate change risk management that builds our resiliency while promoting the transition towards a low-carbon economy

MATERIAL TOPICS	2022 ACHIEVEMENTS
Governance and Ethics	• Improved our S&P Global CSA Governance score by 29% from 2019
Risk Management and Business Resilience	• Published CIMB's Sustainable Finance Framework, containing our sector policies and position statements • Enhanced Group Sustainable Financing Policy to incorporate human rights risks and just transition considerations • Rolled out new sector guides for mining and manufacturing • Incorporated an overall sustainability rating into the Group's 2023 Risk Posture Setting exercise
Climate Change: Risks and Opportunities	• Completed scope 3 financed emissions baseline for nine carbon-intensive sectors, covering 61% of the Group's total gross financing • Established Paris-aligned 2030 climate targets at portfolio level for thermal coal mining and cement sectors • Completed classification of 2022 financing and investments according to Bank Negara Malaysia (BNM) Climate Change and Principle-based Taxonomy (CCPT) • Shared CIMB's climate journey and insights in various forums at COP27
Human Rights	• Rolled out CIMB's Group Human Rights Policy
Biodiversity and Ecosystem Integrity	• Established and rolled out the No Deforestation, No Peat, and No Exploitation (NDPE) Policy to palm oil, forestry and timber plantation sectors

GOVERNANCE AND ETHICS

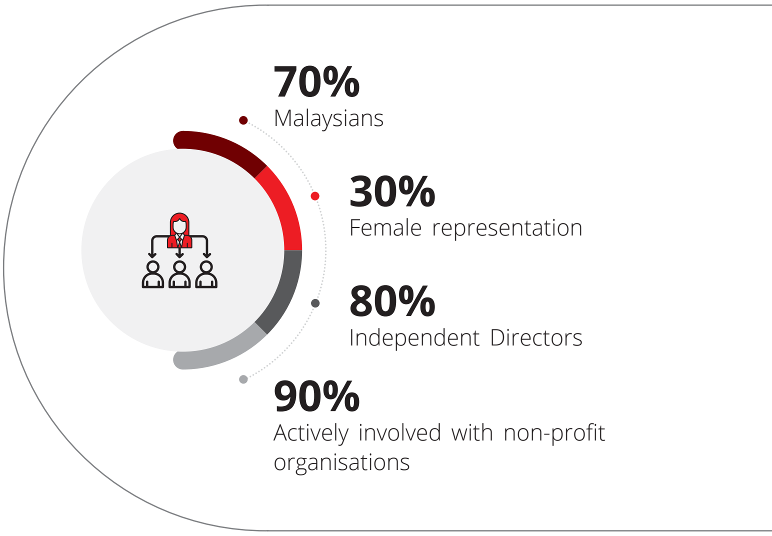
Whilst all banks in Malaysia are highly regulated, the fast-paced environment with constant technological advancement and innovation requires banks to be vigilant in managing their operations and businesses. Effective corporate governance ensures the proper functioning of a bank as an integral and critical part of the economy, society and environment. At CIMB, we emphasise ethical banking practices, embedding healthy risk culture and continuously improving our risk management capability to safeguard stakeholders' interests. We persevere in the culture of transparency, accountability, fairness and integrity to ensure sustainability in our businesses.

THE BOARD: ACCOUNTABLE, FAIR AND DIVERSE

Our Board of Directors is a fundamental component of our corporate governance, putting stakeholder interests at the top of their agenda. The Board is guided by CIMB's Board Charter, which sets out seven principal roles and responsibilities of the Board, including overseeing the development and implementation of a sustainability framework for the Group.

Our Board composition reflects a diverse mix of skills, backgrounds and experiences, which contributes to more effective and creative decision-making. Taking into account the Group's businesses, as well as regulators' and shareholders' expectations, the Board has identified a set of skills required within the Board. These include operations, risk management, investment and corporate finance, business management and corporate leadership, accounting and finance, audit, technology, law, human resources, and sustainability.

In addition to skills, adequate experience in the banking industry and other financial services, are essential. 90% of our Board members have experience in banking and other financial services. Periodic analysis of the Board composition and diversity are conducted to ensure adherence to the guiding principles in the Board Composition and Skill Set Framework.



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. The Board recognises that Independent Directors are essential in protecting the interests of shareholders, including the rights of minority shareholders, and can make significant contributions to the Group by bringing in the quality of detached impartiality. The Group Nomination and Remuneration Committee assesses the independence of Independent Directors and is guided by the definition of "Independent Director" as prescribed by the Main Market Listing Requirements of Bursa Securities and Bank Negara Malaysia's (BNM) Corporate Governance Policy.

As at 31 December 2022, each of the Independent Directors, including the Board Chairperson, was considered to be independent of the management and free from any significant business or other relationships which could interfere with the exercise of independent judgment or their ability to act in the best interests of CIMB and:

a. Was not an Executive Director of CIMB, its subsidiaries or any related corporations of CIMB
b. Had not been employed by CIMB in an executive capacity within the last five years
c. Was not a family member of any executive director, officer, or major shareholder of CIMB for the past three years; and
d. Was not a partner or employee of CIMB's external auditor during the past three years

The Board comprises ten members, of which 80% are Independent Directors. This aligns with the Malaysian Code on Corporate Governance that requires a majority of Independent Directors on the Board.

Governance & Risk

CODE OF ETHICS AND CONDUCT

Our workplace culture is shaped by CIMB's shared values, behaviours, and underlying mindsets. Culture and values are essential to our ability to execute our Forward23+ strategy, which aims to transform CIMB into a high-performing, purpose-driven organisation that advances our customers and society.

Our mantra of "Value Creation, Enabling People, and Integrity" guides our operations, and we are committed to good compliance practices, protecting the privacy of our customers, employees and business, and going the extra mile for our customers.

The CIMB Code of Ethics and Conduct is important for maintaining and strengthening trust. The Code sets out the standards of conduct expected of all CIMB employees in our engagement with customers, business associates, regulators, colleagues and other stakeholders across the region. We encourage employees to perform an annual refresher of the Code to remain informed and updated.

Additionally, all employees across our regional offices have various channels available to raise any workplace concerns, including:

- Raising concerns directly with a manager or supervisor, with an option to escalate to senior management directly;
- Contacting a human resource representative; and
- Submitting a report anonymously to country-specific whistleblowing emails.

In the last three years, the Code of Ethics and Conduct has covered our employees, subsidiaries, contractors, suppliers and service providers. We provide annual training and collect digital acknowledgement that they have understood and adhered to our Code of Ethics and Conduct.

One breach of the Code of Ethics and Conduct in Malaysia was reported in 2022. The matter was investigated, and the employee has since been dismissed.

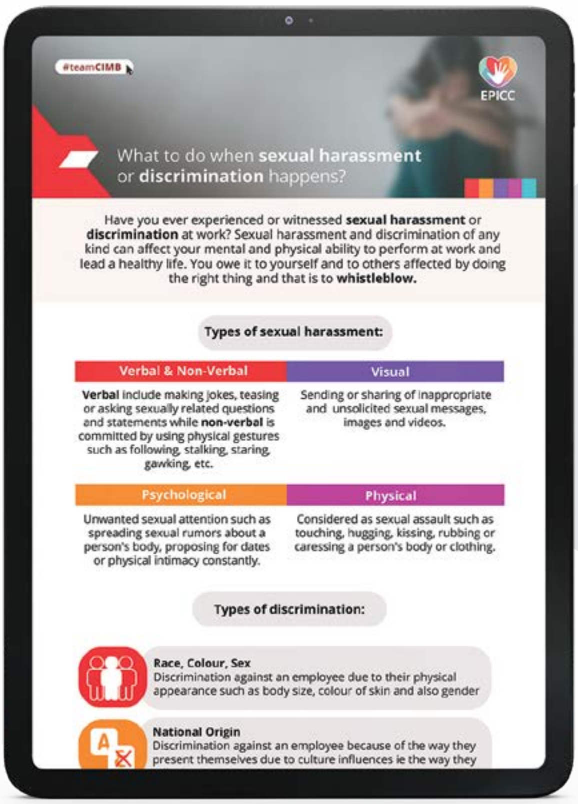
WHISTLEBLOWING

The CIMB Group Whistleblowing Policy has been enhanced to clearly lay out multiple channels for employees and other business relations such as suppliers, clients and the public for reporting any cases of inappropriate, unethical or unlawful behaviour and practices by the management or employees. We protect the confidential information of the whistleblower and only authorised personnel have access to such information. The Group Audit Committee (GAC) is responsible to report to the Board of Directors on this confidential information.

Whistleblowing Channels

"Have Your Say" mailbox located at various divisions	Email to whistleblowing@cimb.com
Ordinary mail labeled "To be opened strictly by Addressee" and addressed to Chairman of the GAC of the Board	Email, phone or write directly to the Chairman of GAC, Group Chief Executive Officer, Group Chief People Officer and/or Group Chief Internal Auditor

Our website has been updated with the refreshed policy, which has been approved by the Board and communicated to our employees and stakeholders.



A snapshot of our electronic direct mail encouraging employees to report harassment via Whistleblowing channels. This is part of our routine communications with our employees.

GRIEVANCE MECHANISMS

We provide appropriate and safe channels to facilitate employer-employee communication, namely our grievance settlement process and whistleblowing channels. These channels allow employees to safely raise and address issues concerning their working conditions, supervisors, colleagues or incidences of harassment, discrimination or violence. As part of our Human Rights Policy implementation, we will focus on enhancing current grievance mechanisms.

10 OUT OF 19
grievances resolved

ONE REPORT
on harassment and discrimination

BRIBERY AND CORRUPTION

We are committed to conducting our business free from any form of bribery or corruption. We adopt a zero-tolerance approach to all acts of bribery or corruption perpetrated by employees, suppliers and other business relations. The Board and employees are expected to adhere to all local anti-bribery and anti-corruption legislations, and to remain vigilant about wrongdoing, malpractice or irregularities in the workplace. All employees must report any such instances to the management immediately.

Effective 2021, all employees are required to complete mandatory Anti-Bribery and Corruption Awareness e-Learning once every two years, building greater internal awareness and competence around relevant anti-bribery and corruption laws.

Our Anti-Bribery and Corruption Policy is made available on our website and communicated to all our relevant stakeholders.

The prevention and mitigation of bribery in CIMB is led by our Integrity and Governance Unit (IGU), which fosters and upholds the principles and culture of anti-corruption, abuse of power and malpractices. The unit reports independently to the Board of Directors on bribery and corruption cases across the Group every month. To guide their actions, IGU rolled out the Group Integrity and Governance Framework that sets out best practices to support effective prevention and mitigation of bribery and corruption. Anti-bribery and corruption have been further embedded via our Compliance Risk Assessment Methodology. This ensures adequate and timely risk identification through annual assessments while continuously addressing emerging material impacts.

We have also strengthened our anti-corruption agenda by establishing CIMB's Organisation Anti-Corruption Plan, which has been approved by the Group Sustainability and Governance Committee in 2022. Additionally, we organised the Corporate Integrity Pledge event on 14 November 2022, which reaffirmed our commitments against corruption which our promise towards good governance with representatives from the Malaysian Anti-Corruption Commission.

SAFEGUARDING AGAINST FINANCIAL CRIME

We take a zero-tolerance approach towards money laundering, terrorism financing, proliferation financing, human trafficking and any activity that is prohibited by law. CIMB strengthens financial integrity by assimilating the ethical dimension as one of the strategic priorities in combating financial crimes, apart from constant strategy review to fight against this plague.

CIMB has established processes and procedures for conducting Customer Due Diligence (CDD) on both face-to-face and online customers. Watchlist screening is performed during either the CDD process or the Ongoing CDD process. This screening strengthens the risk identification process. We have established procedures to handle, review and monitor Politically Exposed Persons (PEPs). We require our senior management to sign off on PEP customers as well as customers from countries, businesses and products with a higher risk of money laundering and terrorism.

| Read more about CIMB Anti-Money Laundering and Counter Financing of Terrorism policy

RESPONSIBLE TAX MANAGEMENT

Taxes help spur economic growth and enable governments to meet societal demands. Therefore, we view responsible tax management as a corporate responsibility. We are committed to avoiding the use of secrecy jurisdictions or "tax havens" for tax avoidance purposes. We consistently comply with tax laws and pay all taxes legally due in all jurisdictions in which we operate. This involves timely and accurate registration, filing of tax returns by their due dates, appropriate documentation as well as transparent tax reporting.

We manage our relationships with tax authorities and regulators in a transparent and professional manner. As an industry leader, we also contribute to developing tax policies and legislations, typically through direct engagement with tax authorities, public consultation processes or in our role as a member of an industry group.

| Read more about CIMB's tax policy

Governance & Risk

RISK MANAGEMENT AND BUSINESS RESILIENCE

Effective Risk Management provides resiliency in businesses during periods of uncertainties. Being a resilient organisation, we anticipate risks in advance, take proactive measures to mitigate their effects, and respond and adapt quickly to occurrences. At CIMB, we are guided by a robust risk management framework to ensure business continuity through four core activities: Risk Identification, Risk Assessment, Risk Mitigation, and Risk Monitoring. Our goal is to enhance the bank's risk management capability to meet regulatory expectations, safeguard the bank's interests, and ensure commercial sustainability.

ENTERPRISE-WIDE RISK MANAGEMENT (EWRM) FRAMEWORK

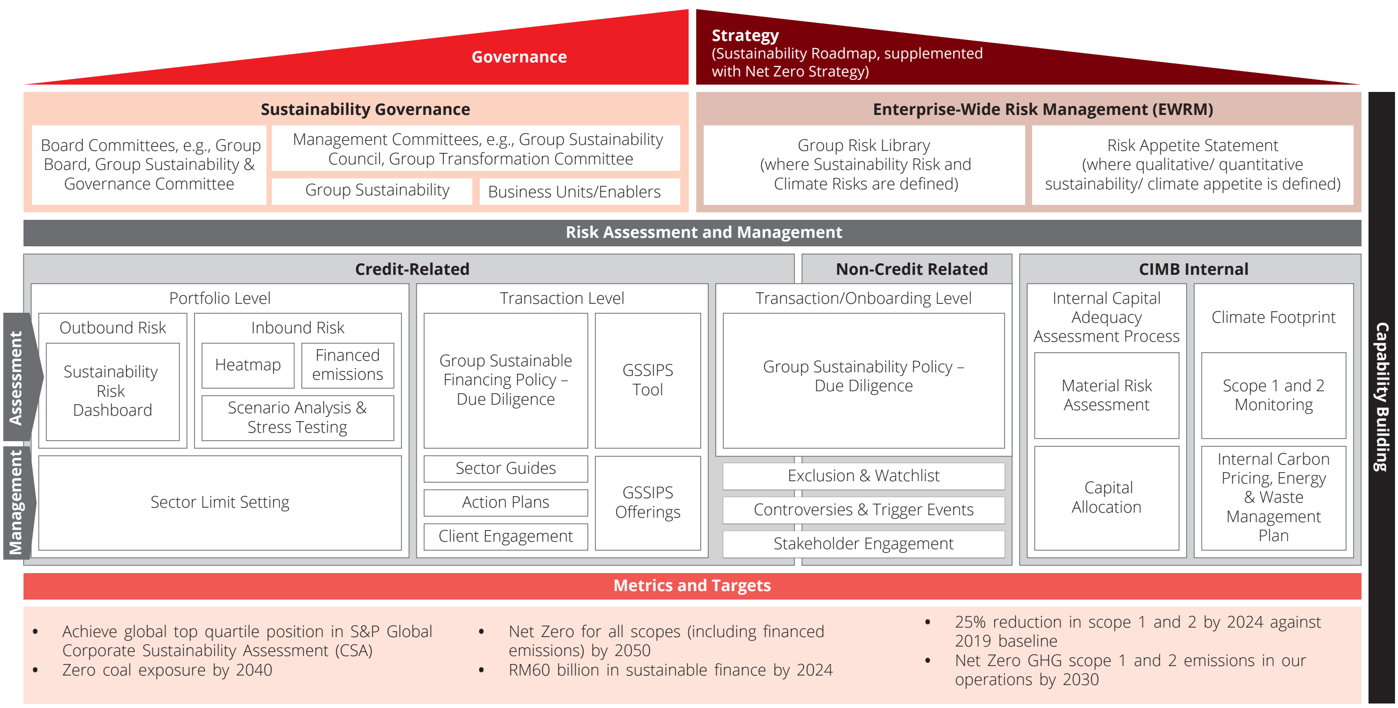
CIMB's Enterprise-Wide Risk Management (EWRM) Framework provides broad objectives and an overarching risk management architecture for managing risks for all entities within the Group. Sustainability risk is outlined as one of the main risks to be addressed, amongst others such as credit risk, market risk, operational risk, reputational risk etc. The key features of the EWRM framework include 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 of risk management across CIMB Group.

Since 2018, sustainability risk has been integrated as part of the EWRM. The scope of risk includes, amongst others:

Environmental Risks	Social Risks	Economic/Ethical Risks
• Energy, Water, Waste and Emissions Management Risk • Climate Change: Physical and Transition Risk	• Employee Health and Safety Rules Events Risk • Employee Wellbeing Risk • Employee Diversity and Inclusion Risk • Human Rights Risk • Corporate Social Responsibility Risk	• Employee Conduct Risk • Sustainable Financing Risk • Financial Inclusion Risk • Sustainable Procurement Risk • Treating Customer Fairly Risk

SUSTAINABILITY RISK MANAGEMENT FRAMEWORK



We take into account a broad scope of environmental, social and economic/ethical considerations in assessing sustainability risks within our business operations.

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, either impacting the business activity itself or via the supply chain; and • Transition risks in moving towards a low-carbon economy, such as regulatory changes, carbon pricing and shifting away from fossil fuels.
Deforestation	Activities which involve the clearing of forest cover to accommodate agricultural, livestock ranching, industrial, development, urbanisation and logging.
Biodiversity Loss	Activities which negatively impact habitats, including invasion of non-native species, overexploitation and depletion of biodiversity stocks, and environmental pollution.
Marine Environment	Activities that cause negative impacts on the marine ecosystem through ocean pollution.
Energy Use	High or inefficient energy use in the form of electricity and other energy sources, resulting in higher GHG emissions.
Water Scarcity	High rates of water use, and activities in water-scarce and water catchment areas, where developments could impact water availability.
Waste and Pollution	Inadequate management of waste and by-products, leading to terrestrial, freshwater and/or marine pollution.
Ecosystem Degradation	Permanent changes or significant impacts to a sensitive physical environment such as mangrove, peat swamp or limestone areas.

Social Risks Considered

Health and Safety	Unsafe working conditions due to a lack of personal protective equipment, policies and procedures on workplace safety, and adequate medical coverage.
Human Rights and Labour Issues	Activities impacting workers' rights and well-being, including working conditions and benefits, fair remuneration, gender equality and no discrimination, contractual agreements, right to form associations, freedom of movement, debt bondage, access to remedy, and provision of basic needs, including housing, access to water, healthcare and education, among others.
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.

Economic/Ethical Risks Considered

Institutional Integrity	Poor management practices that may result in non-fulfilment of sustainability policies and commitments, as well as negative environmental, social or reputational impacts.

Governance & Risk

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

Credit Risk

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

Collateral Risk

The potential for financial losses arising from the loss or devaluation of collateral pledged to the bank, for example, due to 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-compliances arising from failure to adequately address environmental and social risks leading to regulatory fines, penalties, sanctions, etc

Reputational Risk

The potential risk of sustainability issues highlighted in national or international media, with regard to potential or alleged material issues such as the legality of operations, the imminent risk to life, and other major controversies, that may also negatively impact the bank by association

Market Risk

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

Technology Risk

The potential for displacement and disruption of business models, technologies and machinery due to the transition to sustainable, low-carbon, energy-efficient production methods resulting in loss of customers and market share

EMERGING RISKS

Emerging risks refer to potential risks that may not yet be fully recognised or understood but may significantly impact society, organisations and individuals. In CIMB, we are proactive in emerging risk identification through information gathering from internal and external sources (such as industry reports, market trends, regulatory changes, stakeholder feedback, etc.) and actively participating in roundtable discussions for policy development.

Emerging Risk	Description of Risks	Potential Business Impact	Actions
Biodiversity Loss and Ecosystem Collapse	***Biodiversity Loss*** a) Biodiversity loss refers to the decline in the variety and abundance of species, as well as the degradation of ecosystems and the services they provide b) This loss can occur due to a range of factors, including habitat destruction, pollution, climate change, over-exploitation of resources, and invasive species ***Ecosystem Collapse*** a) Ecosystem collapse refers to the rapid and irreversible loss of the structure, function and services of an ecosystem b) This occurs 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	Both biodiversity loss and ecosystem collapse pose significant risks to human well-being and the global economy. Some impacts from biodiversity risk includes: a) Reduced productivity, which can lead to reduced food security impacting the supply chain b) Increased disease transmission due to the destruction of biological pest control systems c) Negative impacts that disproportionately affect vulnerable communities In the context of financial institutions, potential negative impacts can be direct and/or indirect from lending, financing, investing and underwriting activities.	CIMB recognises the importance of biodiversity protection and restoration in maintaining a balanced ecosystem. Group Sustainability has been actively involved in the following: a) Participating and contributing in roundtable discussions to shape future policies b) Exploring and discussing with industry players to understand the challenges and brainstorm for holistic solutions c) Participating in international discussion forums to explore and discuss best practices

Governance & Risk

Emerging Risk	Description of Risks	Potential Business Impact	Actions
Climate Change	***Physical Risk*** Physical risks arise from exposure to detrimental climate change and/or extreme weather. Acute physical risks relate to specific weather events, while chronic physical risks are associated with longer-term changes in climate pattern ***Transition Risk*** Transition risk relates to a transition to a lower-carbon economy. This may involve policy implementation and technology and market changes associated with climate change	Our current understanding of the real damages caused by climate change upon society, businesses and the environment is still limited due to its non-linearity and long time horizon. Notwithstanding this limitation, it is clear that climate change will pose significant risks to the financial system and the economy if left unaddressed. According to S&P Global, almost 60% of companies in the S&P 500 (with a market capitalisation of US$18 trillion) hold assets that are at high risk of physical climate change impacts[1]. Data from the European Central Bank[2] also indicates that a higher exposure of a bank to clients with high emission intensity coincides with higher expected losses over a 30-year period. In the context of CIMB, climate-related physical and transition risks may lead to financial risks such as: a) Impact on the repayment capacity of customers, leading to a possible increase in default rates b) Impact on collateral value due to the stranding of climate-misaligned assets c) Reputational repercussions due to CIMB's financing of carbon-intensive sectors such as coal | Read more about our climate risk assessment on pages 61 to 67	CIMB acknowledges climate change as an emerging risk that will materially impact our customers and stakeholders, which in turn affect our own resilience. To this end, we have taken steps to manage such risks. These include, among others: a) Establishing a Climate Risk team within Group Risk to establish and execute a robust climate risk management framework b) Establishing 2030 climate targets for two sectors, thermal coal mining and cement c) Conducting a transition risk scenario analysis on non-retail financing clients and a physical risk assessment on our mortgage book | Read more about CIMB's climate action on pages 50 to 65

[1] *The Big Picture On Climate Risk, S&P Global, January 2020.*
[2] *Climate-Related Risk to Financial Stability, Tina Emambakhsh et al., May 2022.*

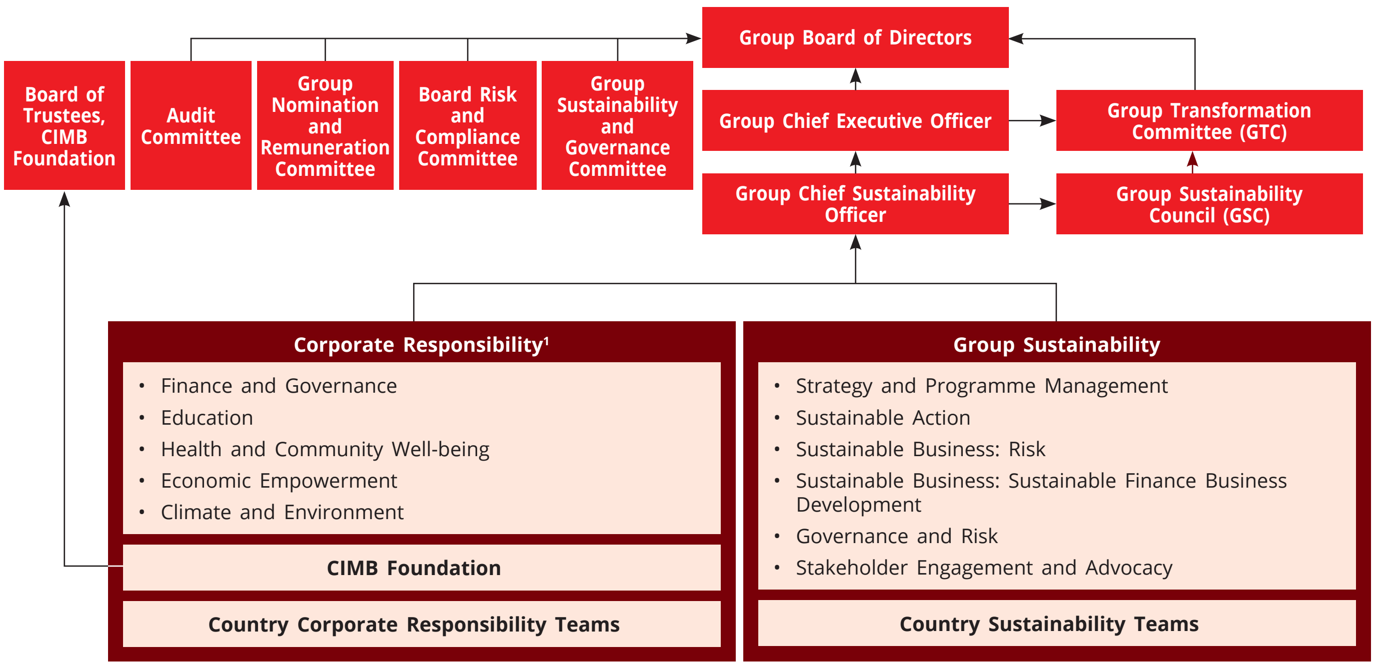
GOVERNANCE OF SUSTAINABILITY

Sustainability has been institutionalised into our business through CIMB's sustainability governance framework. The framework has been designed with a clear delineation of roles and responsibilities that ensure accountability, transparency and effective execution of our sustainability decisions. We continuously review and enhance our sustainability governance and operating model to ensure it remains robust, resilient and up-to-date with new developments.

The Group Sustainability and Governance Committee (GSGC) oversees and steers our sustainability risks and opportunities, providing the Board with effective decision-making capabilities. The committee advocates for sustainability and strengthened governance across the Group, fostering a work environment that prioritises positive impacts, ethics, and integrity.

The Board is the highest governance body accountable for CIMB's sustainability strategy, material ESG issues, as well as opportunities and risks. Sustainability-related roles and responsibilities of the Board are incorporated in the Board Charter. Sustainability is also embedded in the roles and responsibilities of various Board Committees.

SUSTAINABILITY GOVERNANCE AND OPERATING MODEL



[1] *CIMB Malaysia's Corporate Responsibility team has dual reporting to Group Chief Sustainability Officer and Chief Executive Officer of CIMB Foundation.*

The Group Sustainability Council (GSC) assists the Group Chief Sustainability Officer in the development and execution of CIMB's sustainability priorities, in line with strategic outcomes set by the Board, GSGC and Group CEO. The GSC's roles and responsibilities include 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 (GTC), which assists the Group CEO in directing and steering CIMB's overall strategy, including sustainability, which is a key programme under CIMB's Forward23+ strategy. The GSC also acts as the governing body for assets under CIMB's own sustainability bonds/ Sukuk.

Implementation of the Group's sustainability strategy is executed by various Business Units and Business Enablers, catalysed and supported by the Group Sustainability Division. The Group Chief Sustainability Officer reports to the Group CEO, and leads the Sustainability and Corporate Responsibility teams across the region.

Governance & Risk

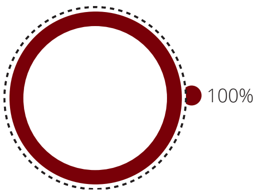
In order to scale up and mainstream the Group's sustainability efforts, we implemented the Integrated Sustainability Operating Model in 2022. Starting in Malaysia, we are putting in place full-time sustainability specialists and part-time champions within business units and enabling functions to drive sustainable finance from the forefront. This is our first step towards a more decentralised model to ramp up sustainability innovation and embed sustainability culture, values and accountability across the Group. In 2023, our focus will be to implement the integrated sustainability operating model in Indonesia, Singapore and Thailand.

In addition to sustainable finance teams in Wholesale, Commercial, Consumer and Islamic Banking, we have established a Climate Risk team within Group Risk with a mandate to establish and execute a robust climate risk management framework focusing on the Group's scope 3 financed emissions.

GROUP SUSTAINABILITY AND GOVERNANCE COMMITTEE

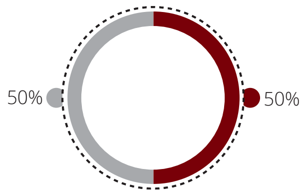
The GSGC convenes every quarter and assists the Board in fulfilling its responsibilities in advocating and fostering a culture of sustainability, ethical conduct, and integrity in our corporate DNA. The GSGC provides oversight on implementing the Group's sustainability and climate change strategy, where we aim to proactively create a net positive impact on our material matters. The committee also oversees the management of bribery, corruption and other related risks.

Independence



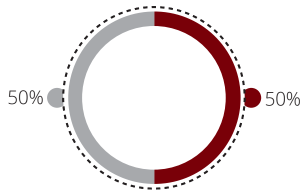
- Independent Directors
- Non-Independent Directors

Gender



- Female
- Male

Sustainability/climate-related experience



- Yes
- No

BOARD RISK AND COMPLIANCE COMMITTEE

Provides oversight and advice to the Board and management in respect of sustainability and climate-related risks, including monitoring of the Group's exposure to high sustainability risk sectors and clients, sustainability risk appetite setting as well as regulatory compliance.

AUDIT COMMITTEE

Supports the Board in ensuring reliable and transparent reporting and a robust internal control system for sustainability-related matters.

GROUP NOMINATION AND REMUNERATION COMMITTEE

Ensures the growth in sustainability knowledge and competence among Directors, taking into account board diversity and sustainability experience in Director nominations.

SUSTAINABILITY LINKAGES TO PAY

CIMB Group's commitment to sustainability is demonstrated by the fact that our CEO, top management, and all divisions have sustainability key performance indicators (KPIs). Sustainability-linked remuneration is an effective way of ensuring that our leadership, business units and enabling functions remain focused on our sustainability goals.

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

The success of sustainability KPIs directly impacts the bonus pool funding of all divisions, linking the compensation of the entire population of each division to the success of their sustainability initiatives and goals via divisional collective scorecards. The scorecard metrics include both internal targets and external commitments in the areas of environmental (including climate change), social, economic performance, and corporate governance, including leading and lagging indicators.

Examples of sustainability KPIs for business divisions include the mobilisation of sustainable finance under CIMB's Green, Social, Sustainable Impact Products and Services (GSSIPS) framework, successful implementation of sustainability policies, and employee training on sustainability. On the other hand, KPIs specific to business enablers include targets on human capital development, diversity and inclusion, talent attraction and retention, sustainable supply chain, and cybersecurity.

SUSTAINABILITY POLICIES

GROUP SUSTAINABILITY POLICY

All sustainability endeavours are guided by the Group Sustainability Policy (GSP). It outlines our overarching principles and approach to sustainability, including sustainability risk management. The GSP is adopted by all regional business units and enablers to identify, assess, mitigate and manage sustainability risks within our operations and across our value chain.

GROUP SUSTAINABLE FINANCING POLICY

Environmental and Social (E&S) risks within non-retail financing transactions and capital-raising deals are governed under the Group Sustainable Financing Policy (GSFP). The policy is implemented to integrate E&S considerations into CIMB's financing decisions at the client and transaction level, in order to manage E&S risks arising directly or indirectly from CIMB-financed clients and activities.

GROUP HUMAN RIGHTS POLICY

In 2022, we developed CIMB's Group Human Rights Policy. The policy describes our commitments, principles and approaches to human rights. It addresses the identification, assessment and management of salient human rights risks, which are those with the potential to cause the most severe negative impacts.

SUSTAINABLE AND RESPONSIBLE FINANCE: MANAGING E&S RISKS IN FINANCING TRANSACTIONS

As a bank, our environmental and social risks extend beyond our own operations to the products and services provided to our clients. The sustainability of our business includes ensuring that our clients are also future-proof. Emerging evidence shows that effective sustainability-aligned businesses are more resilient to unexpected shocks and turbulence, with S&P reporting that sustainable funds outperformed the broader market during the first year of the COVID-19 pandemic[1].

Sustainable finance contributes to positive socio-economic progress. Therefore, we work closely with our clients to manage and mitigate their E&S risks and encourage them to shift towards more resilient and sustainable business models. Through sustainable and responsible financing practices, we are helping to protect our customers, business and the financial system as a whole.

SUSTAINABLE FINANCING POLICY AND FRAMEWORK

The Group Sustainable Financing Policy (GSFP) governs the handling of environmental and social risks in non-retail financing and capital raising transactions. In 2022, we updated the GSFP to incorporate our sustainability commitments on No Deforestation, No Peat, and No Exploitation (NDPE), and our commitment to respect human rights. We also incorporated considerations towards a just transition as part of our sustainability principles. These updates are progressively being implemented across our regional offices, such as those in Indonesia, Singapore, Thailand and Cambodia.

[1] *ESG Funds Beat Out S&P 500 in 1st Year of COVID; How 1 Fund Shot to the Top, Esther Whieldon and Robert Clark, S&P Global, April 2021.*

Governance & Risk

We carry out control testing every six months to ensure effective policy implementation, which is subject to periodic audits by the Group Corporate Assurance Division.

We published our Sustainable Finance Framework, which summarises our policy, risk management processes (such as basic and enhanced sustainability due diligence, exclusion list, and permitted exemptions), and high sustainability risk sector position statements (including our NDPE requirements for palm oil, forestry and timber plantation sectors, and human rights requirements across all sectors).

To manage climate risk at a portfolio level, we set 2030 climate targets for two sectors – thermal coal mining and cement. In 2023, we plan to establish interim climate targets and design appropriate transition plans for carbon-intensive sectors towards achieving Net Zero to address climate transition risks.

| Read more about our climate transition risks on pages 50 to 70

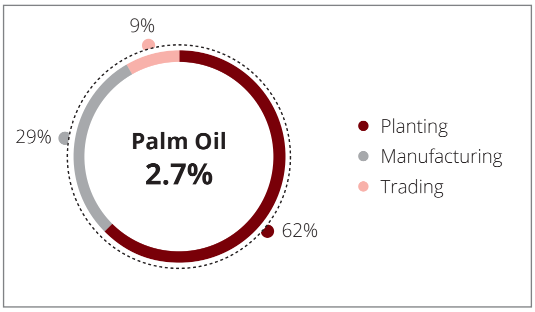
HIGH SUSTAINABILITY RISK SECTORS

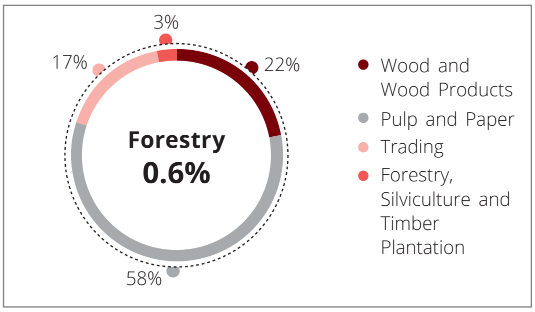
CIMB has identified 148 sub-sectors within ten main industries that are classified as high sustainability risk sectors. These sub-sectors are regularly updated based on global frameworks, and in 2022, we added rubber, manufacturing, livestock and fisheries, transport and storage, and waste treatment to the list. We have developed seven Sector Guides that cover palm oil, forestry, oil and gas, construction and infrastructure, coal, mining and quarrying, and manufacturing sectors.

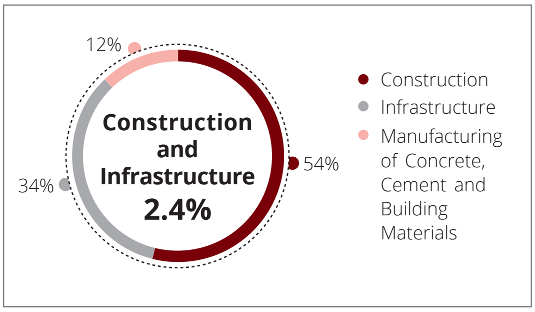
We take a structured and inclusive approach to establish our risk appetite and requirements for high sustainability risk sectors. This includes referencing global and local standards and engaging with internal and external stakeholders before finalising our policies.

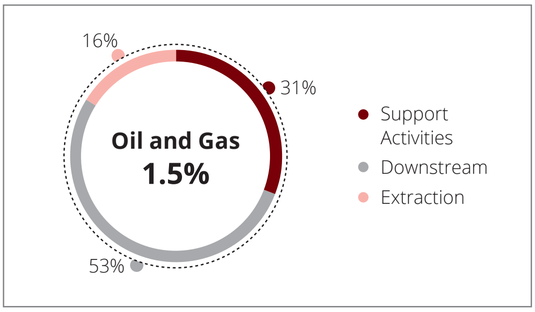
Process	Details
Sector mapping against international environmental and social (E&S) risk frameworks	• E&S risk indicators and scoring are identified based on international risk frameworks published by credible bodies such as International Finance Corporation, European Bank for Reconstruction and Development, Sustainalytics, etc. • Each sector is rated against the E&S risk indicators, and those with medium to high risk are included in our High Sustainability Risk category
Benchmarking against industry sustainability standards	Sector requirements are updated with reference to the latest sustainability standards including: • Voluntary or mandatory certifications • Industry guidelines such as those published by the International Labour Organization (ILO) and International Council on Mining and Metals • Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) sector guides • Government roadmaps and global treaties such as Zero Single-Use Plastics and The Rotterdam Convention
Socialisation on revised sector requirements	• Experts' views are sought on latest sustainability expectations, such as human rights requirements, deforestation monitoring, and peat • Feedback is obtained from business units and clients on the implementation of the revised requirements
Regional rollout	• Targeted training is conducted on the revised GSFP and sector requirements • The revised policy and sector requirements are communicated and rolled out regionally

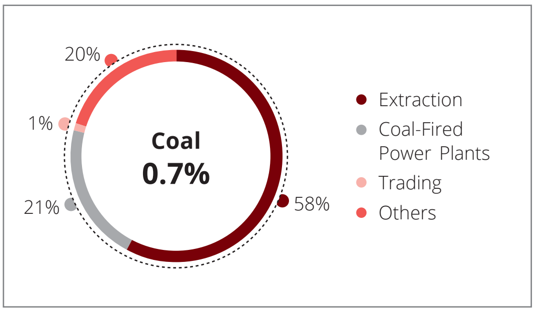
Portfolio Exposure to High Sustainability Risk Sectors

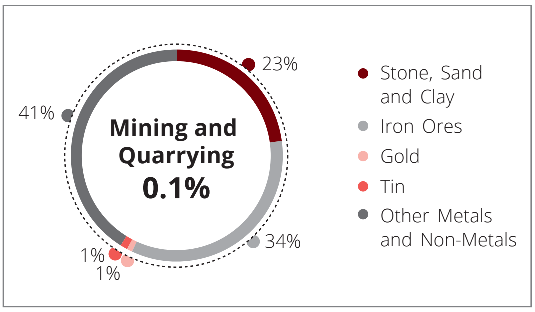










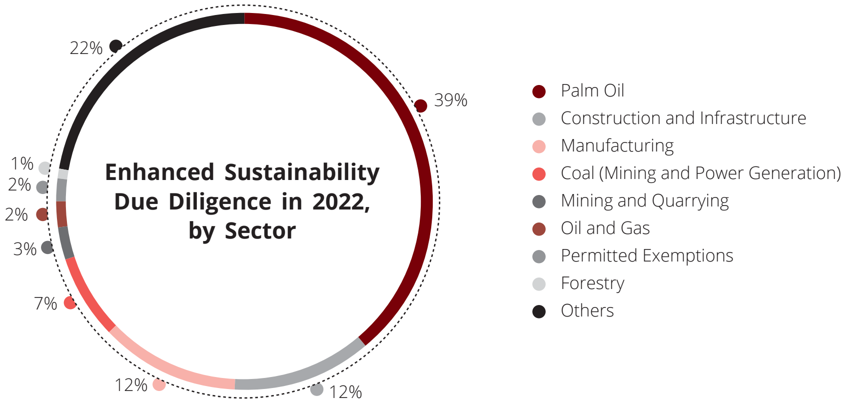


Exposure as % of total Group gross loans/ financing as at 31 December 2022 in Malaysia, Indonesia, Singapore, Thailand and International Offices.

Governance & Risk

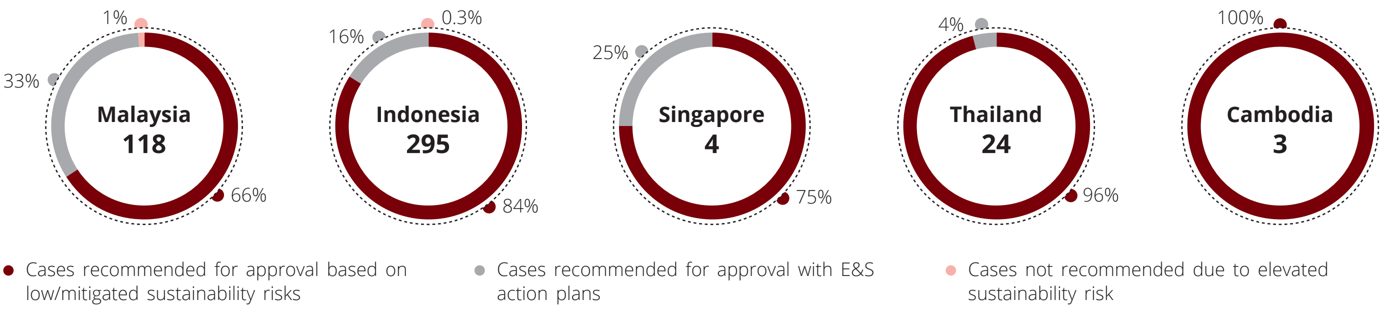
ENHANCED SUSTAINABILITY DUE DILIGENCE

The Group Sustainability team carries out Enhanced Sustainability Due Diligence (ESDD) on clients who are exposed to a high level of environmental or social risk. Generally, ESDD is conducted on clients who fail the Basic Sustainability Due Diligence (BSDD), operate in pre-selected high sustainability risk sectors, do not meet our Sector Guide requirements, or have been identified by reputable sources as being involved in environmental or social issues. Our ESDD framework is designed in accordance with internationally acknowledged best practices, as outlined in the UN Environment Programme Finance Initiative (UNEP FI) Environmental and Social Risk Analysis programme, and considers the risk implications of large-scale projects.



To ensure compliance with our Sector Guides and address any environmental or social risks, CIMB requires customers to provide necessary documents for verification. If a client does not meet the sector requirements, we work with them to develop time-bound action plans with progress checkpoints at least once a year. However, if a client repeatedly fails to complete the agreed-upon 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.

Enhanced Sustainability Due Diligence



444
ESDD cases completed

20%
of cases recommended for approval with E&S action plans

84%
of clients completed their E&S action plans

CLIENTS WITH ACTION PLANS DUE IN 2022

In 2022, we observed an overall increase in cases recommended for approval with action plans, which is consistent with the growing demand for sector guides such as NDPE and human rights. We had a total of 30 clients with action plans due during the same period. Of those:

- 21 clients completed their action plans
- Five clients had requested for extensions, which were subsequently granted by CIMB. All extensions were related to delays in obtaining palm oil or forestry sustainability certifications due to COVID-19 lockdowns, which hampered auditing processes
- Four clients from construction, power generation and manufacturing sectors had not completed the action plans within the agreed timeline. Official reminders have been sent to these clients, and if they fail to complete their agreed action plans after two notices, we will consider adding them to the Sustainability Watchlist. This means that these clients will be prohibited from any new or additional financing facilities / capital-raising services

Sectors	Action Plans	No. of Cases	Type of Financing	Completion Status		
				Completed	Extended	Not completed
Palm Oil	• Obtain MSPO/ISPO certification • Establish NDPE policy/ commitment	7	General and Project Financing	4	3	
Forestry	• Obtain Forest Management Certificate	2	General Financing		2	
Construction and Infrastructure	• Enhance Occupational Safety and Health (OSH) policy • Implement environmental remediation measures • Provide updates on resolution of litigation cases	7	General and Project Financing	6		1
Oil and Gas	• Conduct E&S assessment and develop guidelines	1	General Financing	1		
Coal (Mining and Power Generation)	• Establish diversification strategy • Establish collective agreement • Implement environmental remediation measures	3	General Financing	2		1
Mining and Quarrying	• Establish NDPE policy/ commitment • Implement environmental remediation measures	2	General and Project Financing	2		
Manufacturing	• Implement human rights remediation measures • Implement environmental remediation measures • Provide updates on resolution of litigation cases	5	General Financing	3		2
Others	• Maintain Responsible Gaming certification • Obtain environmental management rating • Implement remediation measures on OSH	3	General Financing	3		
	TOTAL	30		21	5	4

Governance & Risk

SUSTAINABILITY RISK ENGAGEMENT WITH OUR CLIENTS

This year, we conducted one-on-one engagements with financing clients from six sectors to discuss sustainability risks and safeguards. The main objectives of these engagements were to discuss progress concerning earlier-agreed sustainability action plans, to clarify challenges faced and any issues arising, communicate and discuss our new policies and requirements on topics such as NDPE, human rights and climate risks, and encourage our clients to transition towards more sustainable practices.

Sectors	Examples of Issues Discussed	Examples of Engagement Outcomes
Palm Oil **Forestry**	• NDPE and human rights risks • RSPO/MSPO/ISPO* certification status	• NDPE commitments • Clear plans to complete sustainable palm oil certification
Mining and Quarrying	• E&S risks from mining operations in forested areas • Climate-related transition risk	• E&S impact preventive and mitigation actions • Initiated climate transition plan
Construction	• Human rights risks • Climate-related physical risk	• Human rights risk control measures • Climate impact awareness
Oil and Gas	• E&S risks in high-risk segments • Human rights risks	• Commitment to establish policy statements for high-risk activities • Human rights risk control measures
Manufacturing	• Human rights risks • Climate-related transition risk	• Human rights risk control measures • Initiated climate transition plan
Coal (Mining and Power Generation)	• Climate-related transition risk	• Continuous discussion on transition financing

** NDPE – No Deforestation, No Peat, and No Exploitation.*
** E&S – Environmental and Social.*
** RSPO – Roundtable on Sustainable Palm Oil; MPSO – Malaysia Sustainable Palm Oil; ISPO – Indonesian Sustainable Palm Oil.*

SELECTED SECTOR CASE STUDIES

Manufacturing Sector

The manufacturing sector has been listed as one of our high sustainability risk sectors since July 2022. This sector includes the production and processing of carbon-intensive products e.g., iron ore, cement and automotive, pulp and paper or rubber products, and other products e.g., chemicals, plastics and textiles etc.

Manufacturing firms that employ a large number of foreign or low-wage workers are increasingly scrutinised for their human rights practices. As part of CIMB's Human Rights Policy, such clients are required to establish:

- a human rights policy/commitment
- carry out human rights due diligence to identify and mitigate potential risks; and
- establish a grievance mechanism that ensures anonymity and prohibits retaliation.

In 2022, we assessed 53 manufacturing clients, with 11 asked to commit to action plans to improve their human rights practices. Apart from our policy requirements, some action plans included implementing stronger governance to address human rights risks, and ensuring management commitments to zero recruitment fees are clear. Some clients have engaged external experts to scrutinise their recruitment processes involving foreign workers.

In 2023, we plan to conduct targeted sectoral engagements to raise awareness among our manufacturing clients about human rights requirements and best practices for mitigating supply chain risk.

Palm Oil and Forestry Sectors

We have established a No Deforestation, No Peat, and No Exploitation (NDPE) requirements for the palm oil and forestry sectors. Indonesia and Malaysia, which account for more than 80% of global palm oil production, have committed to reducing their greenhouse gas (GHG) emissions intensity, including via forest conservation and peat restoration.

Following the incorporation of NDPE requirements into our sector guides, we engaged with a number of palm oil and forestry clients, especially those with potential greenfield developments or expansion plans. For clients with existing plantations on peat, we highlighted our expectations on the best industry practices such as fire prevention plans, drainage maintenance and water table management.

In 2022, we assessed 174 palm oil and three forestry clients, where 50 clients were requested to commit to action plans. These included establishing or strengthening NDPE commitments and improving compliance with sustainability certification requirements.

Coal Sector (Mining and Power Generation)

In December 2020, we committed to phasing out coal by 2040. Starting in 2021, we no longer provide asset-level or general corporate financing for new thermal coal mines and coal-fired power plants, as well as expansions, except for existing commitments. In September 2022, we announced an interim target to reduce our financing and investment exposure to the thermal coal mining sector by 50% by 2030.

To ensure that our clients are aligned with our commitment, we engaged with them to understand their plans, progress and challenges towards diversifying away from coal. We also communicated our enhanced expectations, which include setting up long-term and short-term climate targets and disclosing annual GHG emissions and emission intensity. Additionally, we highlighted the outcomes of our Paris Agreement Capital Transition Assessment (PACTA) scenario analysis to help clients align their projected outcomes with the temperature goals of the Paris Agreement.

Regionally, out of the 30 clients assessed, one was issued with an action plan to establish environmental and human rights control measures.

Governance & Risk

CLIMATE CHANGE: RISKS AND OPPORTUNITIES

Climate change is no longer a distant future threat, but a present-day reality. The Intergovernmental Panel on Climate Change (IPCC) states that every region is already experiencing the effects of climate change, with extreme weather events like heatwaves, droughts, and tropical cyclones increasing in frequency and intensity.

The implications of climate change are significant for global financial stability, both companies and individuals. The physical impacts of climate change can lead to damage to assets, operational disruptions, and negative effects on customers and stakeholders. Additionally, companies that fail to respond appropriately to policy, technological, and market changes aimed at addressing climate change may face regulatory, reputational, and market risks.

Despite the risks and uncertainties posed by climate change, there are also opportunities to be seized, such as the growing demand for green financing.

GLOBAL, REGIONAL AND NATIONAL DEVELOPMENTS IN 2022

Unprecedented floods which left millions of people stranded in Bangladesh, and the unfortunate landslide in Batang Kali, Malaysia, which took the lives of 31 victims, were only two of the many disasters that occurred in 2022. These events serve as a vivid reminder of the worsening impacts of climate change and the need for stronger climate resilience. At the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) in Sharm El-Sheikh, Egypt, there was a historic agreement on "loss and damage" funds, which will provide vulnerable countries with much-needed financial support to cope with climate change.

Despite rising geopolitical tensions, political uncertainties, inflation, and a focus on post-COVID-19 economic recovery, there were many significant developments in climate policy, regulation, and technology throughout 2022. The ability of corporations and financial institutions to navigate this increasingly dynamic landscape, with its climate-related risks and opportunities, is being put to the test.

GLOBAL

Development	Why it Matters to CIMB
European Union (EU) Carbon Border Adjustment Mechanism to begin in 2023	CIMB's clients that export goods such as iron, steel and cement to the EU will need to report their greenhouse gas emissions and bear a carbon levy, which drives up their cost of doing business and impacts their competitiveness vis-a-vis less carbon-intensive peers
Sustainability and climate exposure drafts by the International Sustainability Standards Board	Increased transparency and harmonisation of sustainability and climate-related disclosures among corporates will benefit CIMB as an information user and enable us to more accurately assess and monitor our climate risk at both client and portfolio levels

REGIONAL

Development	Why it Matters to CIMB
New climate-related supervisory and regulatory expectations of financial institutions (e.g., ASEAN Taxonomy, Bank Negara Malaysia (BNM) Policy Document on Climate Risk Management and Scenario Analysis, Indonesia Green Taxonomy, Hong Kong Monetary Authority Supervisory Policy Manual GS-1 on Climate Risk Management)	As a bank with a pan-ASEAN footprint, CIMB is subjected to rapidly evolving regulatory regimes on climate change across multiple jurisdictions. Ensuring internal readiness within the Group is crucial to ensure timely and effective compliance
Policy enablement for climate-supporting and transitioning businesses (e.g., Sarawak state government amended its land code to allow state lands to be used as carbon storage sites, Indonesia's plan to strengthen industries such as nickel production for Electric Vehicle batteries)	A conducive policy environment provides greater certainty for companies transitioning their business towards a low-carbon trajectory. CIMB actively seeks to support those companies by offering the required capital, provided that such activities do not cause significant harm to the broader environment and communities

NATIONAL

Development	Why it Matters to CIMB
Implementation of various national carbon tax and emission trading schemes (e.g., Singapore's carbon tax, Indonesia's coal carbon trading mechanism)	In countries where a carbon tax has been introduced or an emissions trading scheme has been initiated, clients will have to account for these changes in their operations moving forward. This will likely impact their cost of doing business and may affect their credit risk
Launches of carbon credit marketplaces (e.g., Bursa Carbon Exchange, Climate Impact X)	Financial institutions such as CIMB have the opportunity to play an intermediary role and contribute to a more vibrant carbon market (e.g., financing for carbon projects, carbon trading)

Governance & Risk

OUR PROGRESS IN 2022

Formed a dedicated **Climate Risk** unit under Group Risk

Reduced scope 1 and 2 emissions by **22%** compared to 2019 baseline

Implemented an **internal carbon pricing** mechanism for scope 2 emissions

Completed **financed emissions baseline** for nine carbon-intensive sectors, covering 61% of the Group's total gross loans/ financing

Paris-aligned 2030 climate targets established at portfolio level for **thermal coal mining and cement sectors**

Expanded **PACTA scenario analysis** to a broader group of sectors, including cement and steel manufacturing

Completed classification of 2022 financing and investments according to **BNM's Climate Change and Principle-based Taxonomy (CCPT)**

RM379 million of new climate supporting financing provided in 2022 to support clients in Malaysia to decarbonise and build climate resilience

Signed a **memorandum of understanding with YTL-SV Carbon** on carbon-related projects and services for clients

Shared CIMB's climate journey and insights in various forums at **COP27**

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

As an official supporter of the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), we aim to fully align our climate-related disclosures with the TCFD Recommendations by 2024.

In this section on Climate Change: Risks and Opportunities, we emphasise CIMB's unwavering commitment to delivering disclosures that are consistent with the TCFD Recommendations. We have already disclosed information aligned with TCFD in our 2021 Sustainability Report, while also making use of other reporting frameworks and guidance documents, including the TCFD Application Guide for Malaysian Financial Institutions, the Enhanced Sustainability Reporting Framework, and the Exposure Draft IFRS S2 Climate-related Disclosures, to further enhance the quality and transparency of our disclosures.

Our aim is to provide stakeholders, particularly investors and clients, with balanced and comparable information on our climate risks, opportunities, and performance to date. We strive to include an entity- and branch-specific information where possible, such as information specific to Singapore.

Our climate disclosures follow the "double materiality" principle, which means we report on both the impacts of climate change on CIMB and our direct and indirect impacts on climate change. However, due to the long-term nature of climate change, some assumptions and estimates are necessary when determining the materiality of information. Furthermore, forward-looking statements such as climate goals and targets are subject to risks, uncertainties, and other factors beyond our control.

As we continue to strengthen our internal climate capabilities, data, and practices, we expect our climate-related disclosures to evolve and advance over time. To avoid redundancy, readers should refer to other sections of this Sustainability Report where indicated. We have included a TCFD Index on page 166 of this report for easy reference.

GOVERNANCE

BOARD OVERSIGHT

The CIMB Group Berhad Board of Directors (Group Board or the Board) holds the highest responsibility for all sustainability matters, including climate change. To assist them, the Group Sustainability and Governance Committee provides focused guidance on strategic sustainability matters, particularly on the Group's climate change strategy. Meanwhile, the Board Risk and Compliance Committee (BRCC) sets climate risk appetite and management practices, the Audit Committee (AC) ensures internal control against climate risks, and the Group Nomination and Remuneration Committee (GNRC) assesses board-level climate competency.

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 Sustainability Officer (GCSO) and composed of regional and cross-functional representatives, formulates and monitors the Group's climate change strategy, goals, targets, and action plans. It also sets portfolio and sector-specific targets as guided by the Group's commitments under the Net Zero Banking Alliance. On the other hand, the GTC, led by the Group Chief Executive Officer, ensures timely and effective implementation of the Forward23+ Sustainability Programme, including climate-related projects.

Throughout 2022, climate-related matters were extensively discussed across key board and management committees, with a strong emphasis on implementing projects and initiatives that will contribute to the Group's progress towards Net Zero by 2050.

<table>
<tr><th>Forum</th><th>Committee</th><th>Meeting Frequency</th><th>Number of Climate-Related Matters Discussed^</th><th>Key Climate-Related Matters</th></tr>
<tr><td rowspan="5">Board level</td><td>Group Board</td><td>Bi-monthly</td><td>2</td><td rowspan="7">
• Policy, regulatory and industry updates on climate topics
• The Group's Climate Change/Net Zero performance to-date
• Sustainability risk posture and appetite setting, including climate-related factors
• Climate change updates as part of Composite Risk Rating discussions with BNM
• The Group's climate-related projects and initiatives, e.g.,
– Financed emissions baselining
– Interim climate targets for thermal coal mining and cement sectors
– Mortgage portfolio flood risk assessment pilot
– Scope 1 and 2 operational greenhouse gas (GHG) emissions reduction levers (e.g., internal carbon pricing) and performance
– Incorporation of climate change assessment into sustainability due diligence
– Green, Social, Sustainable Products and Services (GSSIPS) Tool rollout to facilitate BNM CCPT classification
• Risk dashboard reporting on the Group's exposure to high sustainability risk sectors and clients
• Internal audit on scope 1 and 2 operational GHG emissions accounting and reporting
• Resource plan for Group Sustainability Division and Climate Risk Unit
</td></tr>
<tr><td>GSGC</td><td>Quarterly/As required</td><td>5</td></tr>
<tr><td>BRCC</td><td>Monthly</td><td>4</td></tr>
<tr><td>AC</td><td>Quarterly</td><td>1</td></tr>
<tr><td>GNRC</td><td>As required*</td><td>1</td></tr>
<tr><td rowspan="2">Management level</td><td>GTC</td><td>Monthly</td><td>4</td></tr>
<tr><td>GSC</td><td>Bi-monthly</td><td>5</td></tr>
</table>

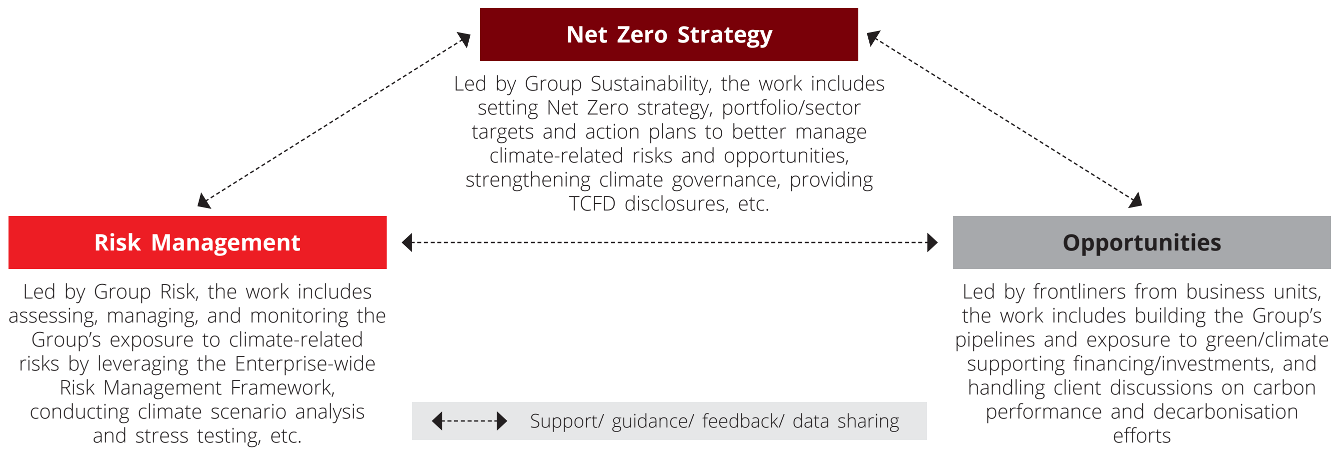
* *The total number of meetings shall not be less than four times a year.*

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

Governance & Risk

The Group Sustainability Division, led by the Group Chief Sustainability Officer, is responsible for addressing scope 1 and 2 GHG emissions by implementing appropriate frameworks, policies, and strategies such as internal carbon pricing. This division also supports other business units and enablers in executing these strategies. The Group Administration and Property Management team is responsible for reducing CIMB's operational impacts on the climate and the vulnerability of its operating premises to physical climate risks. With the help of the Group Sustainability team, this team is driving reductions of CIMB's environmental footprint, including GHG emissions from energy use, water, and waste, through measures such as optimising office spaces and improving energy efficiency in CIMB's offices.

In 2022, a Climate Risk Unit was established under Group Risk, which is in the second line of defense. This unit complements the Net Zero Strategy and target-setting work of Group Sustainability. It aims to deepen the Group's understanding of its exposure to climate-related risks arising from financing and investment activities, as well as its management actions.



CAPACITY BUILDING FOR BOARD AND MANAGEMENT

In 2022, 95% of Group Board members attended sustainability-related training, which includes topics relating to climate change. To ensure sustainability is properly embedded within the organisation, we will continue to build our internal capability at all levels.

A top priority for the Group is to develop the board and management's understanding and capacity to navigate a complex and regulated climate landscape. To this end, in 2022, the Group collaborated with subject matter experts, banks, and non-governmental organisations to conduct a series of internal training and knowledge-sharing sessions. Topics included:

- Stakeholder expectations of banks, including regulators' requirements on climate risk management, taxonomies, scenario analysis and stress testing
- Benchmarking of climate leadership among peer banks
- Best practices, levers and capabilities needed to achieve Net Zero, such as portfolio alignment target setting
- Net Zero pathways for Malaysia and its implications for CIMB
- Sustainable and transition finance opportunities

CLIMATE-RELATED KPIS

The Group's performance is measured through balanced collective scorecards, which consist of financial and non-financial metrics such as profitability, cost, capital, strategic initiatives, risk, audit and compliance. The collective scorecards are cascaded to the business units and enabler functions accordingly, and are used to determine the allocation of the bonus pool based on their performance for the year.

At the employee level, performance is assessed against a set of balanced goals that support the priority measures and targets set out in the collective scorecards. In addition to financial targets, the goals in an employee's scorecard usually include measures on customer experience, long-term initiatives, risk management and process controls, audit, and compliance findings, among others. Variable remuneration for each employee is determined based on their individual assessment and the collective scorecard performance of the business unit/function to which they belong, subject to the adequacy of the allocated bonus pool.

In 2022, the Group continued to use collective and individual scorecards to mobilise and orientate Group-wide efforts and contributions towards a set of common sustainability and climate goals. These included:

- Establishment of financed emissions baseline and interim climate targets for selected sectors
- Implementation of a flood risk assessment pilot on Malaysia's mortgage book
- Rollout of the GSSIPS Tool to business units
- Reduction in scope 1 and 2 GHG emissions
- Green financing mobilised for retail and non-retail clients

STRATEGY

OUR APPROACH TO CLIMATE CHANGE

Looking ahead to 2050, we want to see a world where GHG emissions are stopped and reversed, our biodiversity is protected, and businesses, technology and society all thrive while respecting nature.

At CIMB, our goal is to turn this vision into reality. As a Net Zero Banking Alliance member, we are committed to aligning our financing and investment portfolios with pathways to Net Zero by 2050, consistent with a maximum temperature rise of 1.5 degree Celsius above pre-industrial levels by 2100. Achieving this means significantly reducing our clients' emissions and balancing them with carbon neutralisation and compensation in our overall portfolios. We are taking a measured approach to climate change, with significant work ahead of us to develop the right strategies and make the necessary changes, both internally and with our clients.

SCOPE	MEASURE	SET TARGETS	STRATEGISE	IMPLEMENT	EVALUATE	COMMUNICATE
Undertake heatmapping and scoping to focus on material areas	Establish financed emissions inventory	Select reference pathways and set 2030 and 2050 targets	Develop a transition strategy	Execute the transition strategy	Periodically assess risk exposure and alignment progress	Keep stakeholders informed about progress

SCOPE

IDENTIFYING KEY RISKS AND OPPORTUNITIES

We view climate change as an emerging risk that could materially impact our ability to create value for our stakeholders in the long term. As a start, we completed a qualitative evaluation to understand the drivers behind climate-related risks, how such risks transmit through macroeconomic and microeconomic channels, and in turn, impact us as a financial institution. Whilst climate-related transition and physical risks could manifest across various risk types, credit risk implications remain the most material.

Governance & Risk

Climate Risk Category and Risk Driver

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

Physical Risk
- Acute
- Chronic

Impact to CIMB		Impact Time Horizon
Risk Type	**Impact Description**	
Credit Risk	• Impacts on repayment capacity of customers, leading to a possible increase in default rates • Impacts on collateral value due to stranding of climate-misaligned assets	Medium to long term
Market Risk	• High volatility and potential abrupt decline in the value of climate-incompatible securities underwritten or held by CIMB	Medium to long term
Liquidity and Funding Risk	• Inability of CIMB's customers to repay their facilities as contracted, which in turn affects the Group's liquidity • Significant withdrawals of deposits or drawdown of credit lines by customers to fund capital expenditures in low-carbon technology or to recover from damages caused by extreme events	Medium to long term
Reputational Risk	• Reputational repercussions due to CIMB's financing of carbon-intensive sectors such as coal • Poor stakeholder confidence in CIMB's sustainability efforts and ability to manage our exposure to climate-related risk	Short, medium to long term
Operational Risk	• Disruption to operations and damage to CIMB's physical assets (e.g., branches) due to rising frequency and impact of extreme weather events such as floods • Changes to internal policies and procedures to ensure compliance with new regulations around climate change	Short, medium to long term
Strategic Risk	• Loss of competitiveness, market share and attractiveness to investors due to inability to shift from "brown" to "green" financing	Medium to long term
Enterprise-wide Risk (Capital Risk)	• Inadequate capital to cater for climate-related risks, which may result in the inability to absorb losses, fund business investments and maintain public confidence	Medium to long term

Note: "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. We intend to align the timeframes based on the average life of our portfolios as well as regulatory guidance in the future.

To tackle the challenges of climate change, a substantial amount of capital is needed to fund various mitigation and adaptation projects, technologies and measures. In Malaysia, a recent study by WWF-BCG estimated that up to RM400 billion of investments are required over a 30-year period in areas such as power, transport, and carbon capture, utilisation and storage for the country to achieve its Net Zero goal by 2050[1].

At the same time, micro, small and medium-sized enterprises (MSMEs) play a vital role in ASEAN economies and supply chains, contributing to 85% of employment and half of the region's GDP[2]. It is crucial to ensure that these enterprises are not left out of the Net Zero discussions. This also presents opportunities for banks like CIMB to provide the necessary capital and support that MSMEs require to decarbonise and prepare for a low-carbon economy.

At CIMB, we are committed to supporting our clients' climate-supporting initiatives through a range of GSSIPS. In 2022, we signed a memorandum of understanding with YTL-SV Carbon to collaborate on carbon-related projects and services to provide our customers with a comprehensive solution and financing for carbon emission-reducing projects.

MEASURE

UNDERSTANDING OUR FINANCED EMISSIONS

In 2021, we stepped up our climate pledge by targeting to achieve Net Zero overall GHG emissions by 2050. As a financial institution, the vast majority of our GHG emissions come from scope 3 emissions, notably in the form of "financed emissions".

In order to better understand our emissions and develop decarbonisation strategies, we have begun measuring financed emissions associated with our on-balance sheet financing for clients in four key operating markets: Malaysia, Indonesia, Singapore, and Thailand. These markets account for over 99% of CIMB's revenue and profits. Our financed emissions data covers nine carbon-intensive sectors and five asset classes, following the UN Environment Programme Finance Initiative (UNEP FI) Guidelines for Climate Target Setting for Banks. To establish our financed emissions inventory, we reference the Partnership for Carbon Accounting Financials (PCAF) methodology, an open-source global GHG accounting standard for financial institutions.

Sector	PCAF Asset Classes Covered
Agriculture	• Business Loans/ Financing
Aluminum	
Cement	
Coal	
Iron and steel	
Oil and gas	
Power generation	
Real estate, both commercial and residential	• Business Loans/ Financing • Commercial Real Estate • Mortgages
Transport	• Business Loans/ Financing • Motor Vehicle Loans/ Financing

[1] *Securing Our Future: Net Zero Pathways for Malaysia, WWF Malaysia and Boston Consulting Group, November 2021.*
[2] *Development of Micro, Small and Medium Enterprises in ASEAN (MSMEs), Development of South East Asian Nations, 2020.*

Governance & Risk

To ensure that our financed emissions inventory is as complete and precise as possible, we apply a set of guiding principles in carrying out this exercise:

Guiding Principle	Our Approach
Map against the International Standard Industrial Classification of All Economic Activities (ISIC) and define our boundary	Before performing any measurement or estimation, we map the internal sector codes of our clients against the ISIC. We then identify which ISIC codes should be included in the boundary of our financed emissions. Generally, only clients operating in the upstream and mid-stream segments of their sectors are included, in line with current market practices and guidance, including the Science Based Targets initiative's (SBTi) Financial Sector Science-Based Targets Guidance.
Focus efforts on the largest exposures	For the non-retail segment, we focus on assessing the top 70% of our clients (based on principal balance) within each identified sector. This ensures that we allocate our resources where they matter most. For these clients, we use the highest data quality possible to derive their emissions. The remaining 30%, which are usually made up of small exposures, are estimated using financial data, where available. For the retail segment (i.e., mortgages and hire purchases), 100% of the book is estimated using a standardised approach for the highest data quality.
Strive to use data of the highest quality	We strive to capture clients' self-reported emissions, where possible. This ensures that the data we use is as accurate as possible. Where self-reported data is not available, we use proxies such as physical activity data (e.g., metric tonnes of steel produced) or revenue/ assets. These proxies are used to calculate estimated emissions using industry average emission factors. The average PCAF data quality score for each sector is disclosed alongside the emissions data for transparency.
Leverage PCAF database of emission factors	We rely on emission factors provided in the PCAF web-based emission factors database, which is only accessible to PCAF members, to estimate the emissions of our clients in a given sector. If an emission factor is not available on PCAF, we identify an alternative factor from scientific research papers, government databases and other credible sources.
Extrapolate to estimate emissions for remaining clients	In the absence of financial and physical activity data (especially for private companies and SMEs), we apply an internal extrapolation approach to estimate the emissions for the remaining clients, by applying the average financed emissions intensity of clients for which we have data within the same sector.

- Business Loans/ Financing: 76%
- Commercial Real Estate: 3%
- Mortgages: 10%
- Motor Vehicle Loans/ Financing: 11%

- Oil and Gas: 22.2%
- Cement: 20.1%
- Power Generation: 14.2%
- Real Estate: 13.3%
- Transportation: 12.4%
- Coal: 9.4%
- Agriculture: 8.1%
- Others: 0.2%

In 2021, our overall financed emissions for four key operating markets (i.e., Malaysia, Indonesia, Singapore, and Thailand) stood at 13,811 $ktCO_2e$, representing 61% of the Group's total gross loans/ financing. Oil and Gas, Cement, and Power Generation are the top three largest contributing sectors to our financed emissions, making up more than half of our financed emissions, despite being only slightly over 4% of our gross loan/financing coverage.

SET TARGETS

ESTABLISHING INTERIM CLIMATE TARGETS

We have established our scope 3 financed emissions inventory for our carbon-intensive sectors, enabling us to create climate targets and transition plans towards achieving Net Zero for these priority sectors. In 2022, we published our first round of 2030 climate targets for the thermal coal mining and cement sectors, becoming the second ASEAN bank and the first Malaysian bank to set concrete targets in line with globally recognised 1.5 degree Celsius climate scenarios.

Our interim target is to halve our financing and investment exposure to the thermal coal mining sector by 2030, as a step towards phasing out coal from our portfolio by 2040. Additionally, we aim to decrease the physical intensity of financing clients in the cement sector by 36% from 0.72 to 0.46 tCO_2e/t cement produced by 2030. By 2023, we aim to create client engagement and decarbonisation plans specific to the thermal coal mining and cement sectors. We will introduce more sectoral targets and transition plans by 2024, covering power generation (including coal-fired power plants/generation companies), transport, iron and steel, aluminium, real estate, oil and gas, and agriculture.

Governance & Risk

OUR NET ZERO 2050 STRATEGY

With an overarching goal of Net Zero by 2050, we aim to accelerate our support for key stakeholders, particularly our financing clients, to decarbonise and adapt to climate change. We continue to develop and implement effective measures to mitigate our direct and indirect impacts on climate (outbound impacts), as well as our exposure to climate-related risks (inbound impacts).

Our Net Zero strategy measures and action plans are structured based on the following verticals:

Our Aspirations and Targets

- Net Zero for all emissions, including financed emissions, by 2050, consistent with the 1.5 degree Celsius trajectory
- Halve thermal coal mining exposure by 2030
- Reduce the physical intensity of the cement sector by 36% by 2030
- Mobilise RM60 billion of sustainable finance by 2024

1. Reduce Our Footprint

- Exclude financing of the most harmful activities and technologies
- Work with clients to limit adverse climate impacts through action plans, continual engagement and support

Key Activities in 2022

- Onboarded new tools (e.g., Climate Central) to strengthen climate risk assessment at the transactional level
- Communicated our interim climate targets for thermal coal mining and cement sectors to business units, especially the frontliners
- Initiated discussions with selected cement clients regarding our interim climate target and expectations of the sector

| Read more about our suite of climate risk assessment tools and interim climate targets on pages 59 and 66 to 67

2. Increase Our Handprint

- Finance transition, low-carbon, carbon neutral and carbon negative activities and technologies
- Finance Net Zero clients

Key Activities in 2022

- Deployed a team of sustainable finance specialists to identify and build a pipeline of transition and green finance opportunities
- Completed various green and sustainability-linked transactions including with IJM Group (a Malaysia-based property developer)
- Approved around RM40 million worth of financing for SMEs via the BNM Low Carbon Transition Finance Facility (LCTF)
- Became a Partner Financial Institution for Enterprise Singapore's Enterprise Financing Scheme – Green

| Read more about our sustainable and responsible finance on pages 101 to 107

3. Transform Our Financing Portfolio

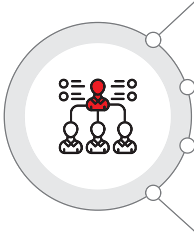
- Manage overall exposure to carbon-intensive sectors
- Increase portfolio exposure to climate-supporting clients, activities and technologies

Key Activities in 2022

- Incorporated an Overall Sustainability Rating into the Group's 2023 risk posture setting process
- Expanded the sector coverage of PACTA scenario analysis to include cement and steel manufacturing
- Piloted a flood risk assessment on selected mortgages in Malaysia to assess flood implications to property value and deliquency rate among customers

| Read more about our transition risk scenario analysis and retail flood risk assessment on pages 61 to 65

New methods, frameworks, technologies, and standards constantly emerge as the world races towards Net Zero. It is therefore imperative for us to continuously review our Net Zero Strategy and strengthen our approaches in line with market practices. We intend to address and provide greater emphasis on several areas in the next update of our Net Zero Strategy:



- Development of climate competencies across CIMB
- Increased clarity on the role of carbon offsets in CIMB's Net Zero Strategy, including guiding principles for their use
- Inclusion of other portfolios, such as investments, and risk types which are not yet in-scope
- Development of adaptation and climate resilience strategies for CIMB and its key stakeholders in response to heightening physical risks

EVALUATE

TRANSITION RISK SCENARIO ANALYSIS

In 2021, we began our first pilot analysis of transition risks using the Paris Agreement Capital Transition Assessment for Banks (PACTA for Banks) tool, developed by 2° Investing Initiative (2DII). In June 2022, 2DII transferred stewardship of PACTA to RMI, formally known as the Rocky Mountain Institute.

Through this pilot, we evaluated the alignment of our loan/ financing book in three carbon-intensive sectors (oil and gas, power, and automotive) with the temperature goals of the Paris Agreement by comparing desired sectoral decarbonisation pathways and technology roadmaps with our own sector exposures and projections. For more information on the PACTA for Banks methodology and our 2021 pilot, please refer to the Transition Monitor website and pages 85 to 88 of our Sustainability Report 2021.

In 2022, we continued to use PACTA for Banks to conduct transition risk scenario analyses and monitor the temperature alignment of our non-retail loan/ financing portfolios in Malaysia and Singapore. In addition to the three sectors assessed in 2021, we expanded our analysis this year to include two other climate-relevant sectors, cement and steel.

SCOPE AND PARAMETERS

Similar to our 2021 pilot (based on outstanding financing amount as at 31 December 2020), we relied on the Asset-Based Company Dataset (ABCD) provided by Asset Resolution for use in the PACTA analysis. The ABCD contains five-year quarterly forecasts of over 40,000 companies globally. Corporate and Commercial banking clients in Malaysia and Singapore were matched with the ABCD, based on outstanding financing amount as at 31 December 2021 (Portfolio). Our match success rate by loan/ financing size is 100% for oil and gas (upstream), 88% for power (generation), 3% for automotive (manufacturing), 100% for cement (manufacturing), and 55% for steel (manufacturing). Coal (mining), considered a climate-relevant sector under PACTA for Banks, was excluded, as we could not match our clients to the ABCD.

Governance & Risk

Key parameters used in our analysis are tabulated below.

Sector, Segment and Climate-Critical Technologies		Climate Scenarios			Region Benchmark	Other Important Parameters
		Scenario Name	**Implied Temperature Rise (Probability)**	**Publication**		
Oil and Gas | Upstream	• Oil Extraction • Gas Extraction	Net Zero Emissions by 2050 (NZE)	1.4°C (50%)	International Energy Agency (IEA) World Energy Outlook (WEO) (2021)	Global	• Market Benchmark: Corporate Economy • Metric: Production Volume Trajectory • Allocation Rule: Portfolio-weight approach
		Sustainable Development Scenario (SDS)	1.6°C (50%)			
		Announced Pledges Scenario (APS)	2.1°C (50%)			
		Stated Policy Scenario (STEPS)	2.6°C (50%)			
Power | Generation	• Coal Capacity • Oil Capacity • Gas Capacity • Hydro Capacity • Renewable Capacity	SDS	1.6°C (50%)		South-East Asia	
		APS	2.1°C (50%)			
		STEPS	2.6°C (50%)			
Automotive | Car Manufacturing	• Internal Combustion Engine (ICE) Vehicles • Hybrid Vehicles • Electric Vehicles	NZE	1.4°C (50%)	IEA Net Zero by 2050 (2021)	Global	
Cement | Manufacturing		NZE	1.4°C (50%)	IEA WEO (2021)	Global	• Market Benchmark: Corporate Economy • Metric: Emissions Intensity • Allocation Rule: Portfolio-weight approach
Steel | Manufacturing						

1 The PACTA methodology does not extend to the entire value chain of a given sector and instead focuses on the part which controls the bulk of the sector's climate system impact, which would spur other activities in the sector to fall into alignment.

2 Climate scenarios (preformatted for PACTA for Banks) were selected based on sectoral and regional coverage, as well as recognition amongst policymakers and financial institutions. Read the full list of the most up-to-date preformatted PACTA for Banks. For further details on the enhancements made to the list of scenarios, with 2021 as a starting year (versus 2020, which was used in our pilot study). *| Read more about Climate scenarios.*

3 Implied Temperature Rise (ITR) represents the projected increase in global average temperatures by 2100, above pre-industrial levels.

4 Different scenarios have varying carbon budgets and probabilities of achieving the carbon budget.

5 Where possible, we use a regional benchmark for a more granular and relevant comparison. For example, we use a regional benchmark for power, since power is primarily produced and consumed within the same region.

6 The global and South-East Asia corporate economy refers to all the assets in the world and South-East Asia respectively, within the ABCD. A comparison of our loan/financing portfolio against the corporate economy is made to see if we outperform, underperform or are on par with the broader market's progress towards climate goals.

7 PACTA offers three main metrics of portfolio alignment: Technology Mix, Production Volume Trajectory and Emission Intensity. The Technology Mix and the Production Volume Trajectory are used for Oil and Gas, Power, and Automotive, where technology roadmaps are known. Emission Intensity is used for Steel, and Cement, where technology roadmaps are less well-defined. In this report, we use Production Volume Trajectory, which measures the alignment of our portfolio's projected production volumes, based on the 5-year capital plans of our clients, to those given in climate scenarios, as well as Emissions Intensity which takes a convergence approach to alignment. Note that PACTA assumes a static balance sheet i.e., loan/financing exposures analysed (in this report as at 31 December 2021) are kept constant for five years (deemed as an appropriate timeframe for reliable data to be gathered). Thus, the projected figures computed are a result of any changes in the production plans of the companies we finance as captured in the ABCD, rather than a change in the composition of our loan/financing book.

8 We apply a portfolio-weight approach whereby a client's alignment with a given climate metric is allocated to our loan/financing book based on the relative exposure of our book to that client. For example, if our loan/financing book allocates 80% of our capital to a client, 80% of that client's required alignment per a given climate metric is allocated to our loan/financing book.

FINDINGS

Interpret with Caution
Climate scenario analysis is an approach used to enhance our critical strategic thinking. Scenarios are hypothetical constructs ("what if"), and shall not be deemed as forecasts or projections ("what is likely to happen"). The results derived from the PACTA for Bank tool provide an indicative view of the alignment of our selected portfolios against a set of climate scenarios. However, caution must be exercised when interpreting the results, as are any potential implications that we draw from them. Whilst improvements have been made to the underlying data, including data enhancement and coverage, other analysis limitations (e.g., low match rate in the Automotive sector) identified from the 2021 pilot study remain. As such, this section should still be read as the documentation of our study rather than a conclusive analysis with a concrete plan on what we need to do next.

As our internal capacity and capabilities continue to develop, including setting up a dedicated Climate Risk unit, we are working towards resolving these limitations and eventually producing results that better reflect our portfolios' alignment and their subsequent impacts.

The table below provides an overview of the temperature outcomes of planned production capacity up to 2026, based on production volume attributable to our financing for clients in the Oil and Gas, Power and Automotive sectors, as well as alignment of emission intensity trajectories of the Cement and Steel sectors, respectively.

		Our Portfolio (CIMB)	Corporate Economy (Market benchmark)	CIMB vs Market benchmark
Oil and Gas (Global)	Oil Extraction	▲ 1.6 - 2.1°C	▬ >2.6°C	Better
	Gas Extraction	▬ >2.6°C	▼ >2.6°C	On Par
Power (South-East Asia)	Coal Capacity	▬ <1.6°C	▬ >2.6°C	Better
	Oil Capacity	▬ >2.6°C	▬ >2.6°C	On Par
	Gas Capacity	▬ <1.6°C	▬ >2.6°C	Better
	Hydro Capacity	▼ > 2.6°C	▬ <1.6°C	Worse
	Renewable Capacity	▬ > 2.6°C	▲ <1.6°C	Worse
Automotive (Global)	ICE Vehicles	▬ >1.4°C	▬ >1.4°C	On Par
	Hybrid Vehicles	▬ >1.4°C	▼ >1.4°C	On Par
	Electric Vehicles	▬ >1.4°C	▬ >1.4°C	On Par
	Fuel Cells	▬ >1.4°C	▬ >1.4°C	On Par
Cement and Steel (Global)	Cement	Misaligned with NZE	Misaligned with NZE	On Par
	Steel	Misaligned with NZE	Misaligned with NZE	On Par

▲ Better off compared to 2021 pilot results
▬ No significant change compared to 2021 pilot results
▼ Worse off compared to 2021 pilot results

Governance & Risk

Oil and Gas

Compared to our 2021 pilot study, there was a significant improvement in the temperature alignment of our Oil and Gas portfolio this year, bringing it closer to APS and SDS by 2026. This was due to a decrease in the reported oil production volume trajectory of our clients in ABCD between 2023 and 2026, as well as changes in our Oil and Gas portfolio composition. However, our portfolio for gas remains misaligned with all scenarios, including STEPS, APS, SDS, and NZE, at the global level. Additionally, the corporate economy trajectory worsened compared to its performance in the 2021 pilot study.

The Russia-Ukraine war, which escalated in 2022, served as a reminder of the importance of energy security. Therefore, we prioritise steering our portfolio towards low and zero-carbon alternatives in an expedient and just manner to effectively and practically balance out the contraction in oil and gas production required by the NZE scenario by 2050. As we enter the second phase of interim climate target setting in 2023, we intend to establish a target that puts us on track towards Net Zero, while considering the social and economic needs of vulnerable segments in our developing markets.

Power

Against the backdrop of our Coal Sector Guide and our commitment to phasing out coal by 2040, our trajectory for coal and gas capacity remains aligned with the SDS at the regional level and outpaces regional benchmarks. However, our hydro capacity worsened in 2022 and underperformed compared to the corporate benchmark, primarily due to changes in our power portfolio composition and a reduction in the hydro production volume trajectory of our clients in ABCD. Our trajectory for oil capacity remains misaligned with all scenarios. The same trend is also observed for our renewables portfolio. Therefore, decarbonising judiciously is necessary to manage our exposure to climate-related risks and take advantage of the growing renewables market.

Automotive

Our ability to match our clients to ABCD data for this sector further reduced from 7% in 2021 to only 3% in 2022 due to changes in clients' outstanding amounts, which impacted the relative share of matched clients within the sector. Therefore, the results presented remain highly indicative. Nevertheless, the indicative results show that the Automotive sector continues to be misaligned with the NZE scenario, indicating potential exposure to transition risks. On the other hand, there is a significant opportunity for us to build loan/ financing exposure to low-carbon alternatives, such as hybrid and electric vehicle segments, given the rising customer demand and a more conducive policy environment worldwide.

Cement and Steel

Our trajectories for cement and steel based on our loan/ financing exposures ending in 2021 are found to be misaligned with the NZE pathway, respectively. This means that our clients are emitting more tonnes of CO_2 per tonne of cement or steel produced (tCO_2e/t) compared to the required intensity by NZE. As part of our NZBA commitment, we established a 2030 target to reduce our cement portfolio carbon intensity to 0.46 tCO_2e/t of cement produced. We will also set an appropriate interim target to steer our steel sector in the right direction towards Net Zero. For our existing clients, our immediate priority is to ensure that they start aligning themselves with the Net Zero agenda from a commitment and strategic standpoint. To achieve this, we intend to initiate more frequent and targeted conversations with our clients, help them understand our expectations (e.g., data disclosures and decarbonisation plans), and enable them to adopt sustainable and climate-supporting practices through financing and incentives.

RETAIL FLOOD RISK ASSESSMENT PILOT

In late 2021 and early 2022, Malaysia suffered from severe floods (2021 Floods). The flood resulted in almost 50 deaths, required the evacuation of approximately 400,000 people, and caused an estimated financial loss of RM6.1 billion.

To evaluate the immediate financial impact of the flood, we worked with a property data company that uses artificial intelligence and proprietary algorithms to collect, clean, and analyse built-environment-related data. We conducted an assessment to determine the effects of the 2021 Floods on collateral valuation (i.e., property prices) and customers' repayment abilities. Additionally, we identified potential areas for future improvement in terms of our internal analytical capabilities, data availability, risk management strategies, and management actions.

Step 1 – Scoping and Filtering

- A pool of mortgages in Malaysia was selected based on location, property status, and data availability

Step 2 – Applying Flood Risk Scores

- Each mortgage was assigned a flood risk score based on the property data company's proprietary methodology

Step 3 – Assessing the Impact

- Variations to property prices were assessed pre- and post-2021 Floods event
- Changes to the delinquency status of the mortgages were also assessed

Contrary to our expectations, we could not conclude from the analysis that floods would result in decreases in collateral value or impact the repayment ability of our mortgage customers. This inconclusive outcome could be due to several reasons. For instance, flood risk might have already been priced into property valuations from the outset (i.e., beyond the time horizon considered for the pilot), or a confluence of other factors (e.g., government intervention) which could have helped mitigate significant changes in property prices. Our analysis was also limited by a relatively small sample size, reducing the power of our analysis.

Along with our first physical risk scenario analysis pilot in 2021 using the SwissRe CatNet® Geo Risk tool and the Physical Risk – Real Estate Assessment tool by Acclimatise, this pilot provides another reference point for future development. We will continue to explore various tools and models to improve our insights into our exposure to physical risks under various climate scenarios as well as to mitigate physical risks associated with our financing transactions.

RISK MANAGEMENT

At CIMB, we have instituted a Sustainability Risk Management Framework to guide our assessment and management of sustainability risks in a manner that is consistent with the Group's Enterprise-wide Risk Management Framework. Sustainability Risk is recognised as a standalone risk type within the Group Risk Library. A key sub-component of this is climate risk, encompassing both physical and transition risks. Climate Risk is managed at various levels as part of our Sustainability Risk Management Framework, utilising appropriate policies, procedures, tools and metrics.

ASSESSING AND MANAGING OUR EXPOSURE TO CLIMATE-RELATED RISKS

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

Embed climate risk considerations into existing risk ecosystem (e.g., Enterprise-wide Risk Management Framework, Group Risk Library), where possible	Take a risk-based approach to assess and manage climate risks, focusing on areas that are most material to us and the climate	Deploy quantitative tools and contextualise climate risks using common risk and financial metrics, especially for scenario analysis and stress testing	Continue to develop and strengthen the quality of climate data (e.g., flood map resolution and precision)	Converge top-down portfolio level assessment with bottom-up customer level analysis to gain meaningful insights and to enable more targeted actions

Governance & Risk

Our Suite of Climate Risk Assessment Tools

Tool and Assessment Level	Risk Types Considered	Methodology	Management Actions
Material Risk Assessment (MRA) *at portfolio level*	Transition Physical	MRA is the starting point for CIMB's Internal Capital Adequacy Assessment (ICAAP) process. Business Units and Enablers in the first line of defence perform an annual self-assessment of non-measurable risks (e.g., sustainability risk) and control effectiveness. In 2022, Group Sustainability, as the owner and subject matter expert for Sustainability Risk, continued to leverage the Group's MRA exercise to ensure that relevant divisions duly considered 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	Since 2021, we have been reporting our financing exposure to High Sustainability Risk sectors (including carbon-intensive sectors) as a proxy indicator for our vulnerability to transition risk to relevant risk committees at management and board levels. See page 68 of our Metrics and Targets section for our exposure as at 31 December 2022. 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. As market best practices are still emerging and developing (e.g., with new expectations and data points), we expect this exercise to take another few years to mature.
Climate Scenario Analysis *at customer and portfolio levels*	Transition Physical	Please refer to Transition Risk Scenario Analysis section on pages 61 to 64, where our methodologies are provided in detail.	Please refer to Transition Risk Scenario Analysis section on pages 61 to 64.
Sustainability Due Diligence *at customer/ transaction level*	Transition Physical	In 2022, we road-tested the Coastal Risk Screening Tool developed by Climate Central as part of our Enhanced Sustainability Due Diligence (ESDD) process to evaluate our clients' exposure to coastal flood risk. Several discussions were initiated with our Relationship Managers and clients to discuss the risk assessment outcomes. Refer to our Enhanced Sustainability Due Diligence section on pages 46 to 49 for more information about our due diligence process.	Depending on the outcome of the sustainability due diligence process, clients 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.

Tool and Assessment Level	Risk Types Considered	Methodology	Management Actions
Financed Emissions Inventory *at customer and portfolio levels (new in 2022)*	Transition	Refer to Understanding our Financed Emissions section on pages 57 to 59, where our methodologies are provided in detail.	Refer to Understanding our Financed Emissions section on pages 57 to 59.
GSSIPS Tool *at customer/ transaction level*	Transition Physical	We have clear criteria for what we consider climate-supporting assets, which we use to consistently classify and report our financing and investments to our central banks. We have developed and implemented an internal tool to help business units classify their financing and investment assets according to our set of pre-defined qualifying thresholds and criteria. Refer to our Sustainable and Responsible Finance: Driving Positive Impacts section on pages 101 to 107.	The GSSIPS Tool allows us to determine the overall proportion of our assets that fall under the "green" or "climate-supporting" category, versus "brown" and "transitioning". We are in the process of expanding the tool to cover additional facilities and transaction types. The percentage of "green" assets will indicate whether we are on target to achieve our 2050 Net Zero objective. It will also prompt us to adopt more extensive measures as necessary.

At CIMB, we are committed to enhancing our assessment and management of climate-related risks across a range of sectors, asset classes, and locations in the near, medium, and long term. Over the past year, we placed greater emphasis on sustainability and climate-related risk factors as part of our annual strategy and business planning procedures. We created an Overall Sustainability Rating and integrated it into the Group's 2023 Risk Posture[1] Setting exercise. The sustainability rating for each country business unit was presented to the Board along with other risk considerations, for review and determination of risk postures for the year.

Aspects Considered in the Overall Sustainability Rating

Transition Risk: Temperature alignment based on PACTA for Banks analysis (for carbon-intensive sectors)

Physical Risk: Credit exposure to clients at high risk of flooding

Environmental and Social Risk: Credit exposure to high sustainability risk transactions

Future Competitiveness: Sustainable finance mobilised

After the completion of the 2023 Risk Posture Setting exercise, we further integrated a climate overlay focusing on sector sensitivity to transition risks into the Group Risk's 2023 Country Sector Limit Methodology. This mechanism was introduced in 2021 to manage the exposure of our non-retail portfolio to climate-related risks at the sector level.

The climate overlay was developed with reference to the Transition Risk Heatmap from the UN Environment Programme Finance Initiative (UNEP FI) TCFD Phase II banking pilot, and was used as the final sector appetite cap. 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 to "Restricted" if its existing appetite, without the climate overlay, is higher.

[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.*

Governance & Risk

METRICS AND TARGETS

For ease of reference and comparison, we have summarised some of our key climate-related metrics, targets and performance indicators in the following tables:

Overall Exposure to High Sustainability Risk Sectors (% of the Group's Total Gross Loans/ Financing)

Sector	Target	Performance		Page Reference
		2021	2022	
Palm Oil	N/A	2.8%	**2.7%**	45
Oil and Gas	N/A	2.3%	**1.5%**	
Coal	• 50% reduction in exposure by 2030 • Complete phase out by 2040	0.7%	**0.7%**	
Forestry	N/A	0.7%	**0.6%**	
Mining and Quarrying	N/A	0.1%	**0.1%**	
Construction and Infrastructure	N/A	N/A	**2.4%**	

Temperature Alignment based on the PACTA for Banks Tool

Sector	Segment	Target	Performance		Page Reference
			2021	2022	
Oil and Gas	• Oil Extraction	<1.5°C or Net Zero by 2050	>2.7°C	**1.6-2.1°C**	61 to 64
	• Gas Extraction		>2.7°C	**>2.6°C**	
Power	• Coal Capacity		<1.8°C	**<1.6°C**	
	• Oil Capacity		>2.7°C	**>2.6°C**	
	• Gas Capacity		<1.8°C	**<1.6°C**	
	• Hydro Capacity		<1.8°C	**>2.6°C**	
	• Renewable Capacity		>2.7°C	**>2.6°C**	
Automotive	• ICE Vehicles		>1.5°C	**>1.4°C**	
	• Hybrid Vehicles		>1.5°C	**>1.4°C**	
	• Electric Vehicles		>1.5°C	**>1.4°C**	
	• Fuel Cells		>1.5°C	**>1.4°C**	
Cement			N/A	**Misaligned with NZE**	
Steel			N/A	**Misaligned with NZE**	

Scope 3 Financed Emissions Inventory

Sector	PCAF Asset Class	Emissions ($ktCO_2e$)[1]			Intensity ($ktCO_2e$/RM million)[2]			Data Quality Score[3]		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
Agriculture	Business Loans/ Financing	652	1,441	1,120	0.029	0.073	0.050	4.2	3.7	3.9
Cement	Business Loans/ Financing	3,479	2,096	2,783	1.171	0.847	1.243	4.0	4.1	3.7
Coal	Business Loans/ Financing	2,072	1,101	1,302	0.899	0.581	0.896	3.3	2.9	3.2
Iron, Steel and Aluminium	Business Loans/ Financing	94	61	30	0.032	0.024	0.012	4.5	4.5	4.7
Oil and Gas	Business Loans/ Financing	2,763	4,134	3,070	0.319	0.590	0.416	4.7	4.5	4.6
Power Generation	Business Loans/ Financing	1,898	1,396	1,958	0.317	0.263	0.306	2.9	3.2	2.9
Real Estate	Business Loans/ Financing	19	22	23	0.001	0.001	0.001	4.5	4.5	4.6
Real Estate	Commercial Real Estate Financing	422	422	412	0.035	0.035	0.033	4.1	4.1	4.1
Real Estate	Residential Real Estate Financing	1,302	1,352	1,398	0.012	0.012	0.012	4.2	4.2	4.1
Transportation	Business Loans/ Financing	227	241	218	0.052	0.061	0.049	4.5	4.2	4.2
Transportation	Motor Vehicle Financing	1,563	1,592	1,497	0.067	0.064	0.059	2.7	2.6	2.7
Overall		**14,489**	**13,856**	**13,811**	**0.067**	**0.063**	**0.060**	**4.0**	**4.0**	**4.0**

The financed emission calculated represents 59% (RM218 billion), 60% (RM219 billion), 61% (RM230 billion) of our total gross loans/ financing for 2019, 2020 and 2021 respectively. Regarding our footnotes:

1. Only scope 1 and 2 GHG emissions are accounted for in our financed emissions calculation
2. The emission intensity of a sector is derived by dividing the financed emissions with the outstanding principal amount of the sector
3. Data quality score is assigned based on PCAF guidance, where the best score is 1 and the worst score is 5

Our financed emissions disclosures will typically lag our other reporting by at least a year as many clients' audited financial statements and GHG emissions data would not be ready by the time we commence our annual exercise in the middle of the year. We are aware that our PCAF data quality is lower compared to some other financial institutions that have disclosed their financed emissions. Due to poorer data quality in some sectors, we are unable to accurately determine the causes and drivers behind the annual changes to the financed emissions of those sectors. To improve this, we plan to work closely with our clients to improve their GHG emissions disclosures. Our financed emissions measurement methodology and inventory will be reviewed regularly as data availability increases over time and market methodologies and climate science evolve.

Governance & Risk

2030 Sector-Specific Climate Targets

Sector	Base Year and Value	End Year and Value	Target Change and Metric	Target Method	Scenario Used	Clients' GHG Scopes Included	Scope of Value Chain Included[3]	Asset Classes Included	Planned Review Date
Cement	2021: 0.72	2030: 0.46	36% reduction in physical-based emission intensity measured in tCO_2e/t of cement produced	Benchmark convergence	SBTi 1.5°C[1]	1 and 2	Manufacture of cement, lime, plaster, articles of concrete, cement and plaster[4]	Financing only	2025
Thermal Coal Mining	2021: 100	2030: 50	50% reduction in exposure measured in RM outstanding amount value index (starting from 100 in 2021)	Absolute contraction	IEA NZE2050[2]	N/A	Mining of coal[5]	Financing and investment	2025

[1] *SBTi (2022). Cement Science Based Target Setting Guidance. Available at: Cement sector guidance - Science Based Targets.*
[2] *IEA (2021). Net Zero by 2050: A Roadmap for the Global Energy Sector. Available at: Net Zero by 2050 – Analysis – IEA.*
[3] *CIMB Internal Sector Codes, which are further mapped against International Standard Industrial Classification (ISIC), were used for target setting.*
[4] *Within the value chain included, the target is only applicable to manufacturing or production of cement.*
[5] *Within the value chain included, the target is only applicable to clients that generate >5% of revenues from thermal coal mining.*

Sustainable Finance

Metric	Target	Performance		Page Reference
		2021	2022	
Total sustainable finance mobilised to-date (RM billion)	RM60 billion by 2024	26.5	**54.3**	137
Renewable energy financing exposure (RM million)	N/A	527.0	**387.1**	138
New climate-supporting financing booked in Malaysia (RM million)	N/A	N/A	**378.8**	52

GHG Scope 1 and 2 Emissions

Metric	Target	Performance		Page Reference
		2021	2022	
GHG scope 1 and 2 emissions absolute reduction (% from 2019 baseline)	25% by 2024, net zero by 2030	24%	**22%**	75 to 76

BIODIVERSITY AND ECOSYSTEM INTEGRITY

Biodiversity and natural ecosystems provide ecosystem services which people and businesses depend on. However, overexploitation, land degradation and other impacts from human activities are disrupting the integrity of our ecosystem.

Experts estimate that around 200 to 2,000 extinctions occur each year[1], due to ecosystems disruptions. The estimated value of ecosystem services lost worldwide due to land degradation is between US$6.3 trillion and US$10.6 trillion annually, or the equivalent of 10-17% of global GDP[2]. Moreover, these losses are unevenly distributed throughout society, often impacting rural and vulnerable communities that largely depend on land for sustenance and income.

CIMB is committed to playing our part in protecting and enhancing biodiversity and ecosystem integrity, and has started integrating some of these considerations into our financing and business decisions.

Biodiversity and ecosystem integrity has become increasingly important to CIMB's key stakeholder groups, and as an outcome of our materiality exercise in late 2022, we have included this as a material topic for CIMB. We have started with embedding NDPE requirements in our sector guides, and will introduce other policies and safeguards in relation to this topic in the coming years and months.

NO DEFORESTATION, NO PEAT, AND NO EXPLOITATION

In 2022, we rolled out our No Deforestation, No Peat, and No Exploitation (NDPE) policy to the palm oil, forestry and timber plantation sectors in Malaysia and Indonesia, and are continuing to roll this out to other countries and sectors in phases.

No Deforestation	**No Development on Peat**	**No Exploitation**
Avoiding deforestation when developing land for commodities or projects, as well as regulating burning, and promoting the reduction of GHG emissions on existing plantations	No new peatland developments and encouraging Best Management Practices on existing peat plantations, promoting restoration of peat wherever feasible	No exploitation of workers and small-scale growers, seeking Free, Prior and Informed Consent from local communities, and demonstrating respect for human rights

Under our NDPE policy, we will not finance or facilitate capital raising for companies that:

- Are directly involved in the new conversion of High Conservation Value (HCV) areas;
- Are directly involved in the new conversion on peat;
- Lack legal rights and a policy/commitment on respecting free, prior, and informed consent of indigenous and local communities; or
- Lack policy/commitment on no exploitation of workers and respecting labour rights.

We also strongly encourage processors, such as palm oil mills, to implement traceability systems for external crop suppliers, construct an assurance method to guarantee crops are lawfully sourced, and engage with external suppliers on their own NDPE standards.

Our sustainability engagement and due diligence processes take into account government policies related to sustainable land use and management. For example, in Indonesia, 2,000 permits across the plantation, forestry, metals, minerals, and mining sectors have been revoked due to various land-use-related concerns, with the government committing to restore two million hectares of peatland and rehabilitate 12 million hectares of degraded forest land.

We also collaborate with external stakeholders to drive transformation within land-use sectors. In 2022, we participated as an advisory team member in the ASEAN Investment Framework for Haze-Free Sustainable Land Management in South-East Asia, which outlines investment needs and opportunities in sustainable agriculture for peat planted areas, fire prevention, phasing in paludiculture, and carbon farming.

[1] *How Many Species Are We Losing, World Wide Fund for Nature (WWF), 2020.*
[2] *Integrating Ecosystem Values in Cost Benefit Analysis, Bahman Kashi et al., United States Agency International Development, 2018.*

Governance & Risk

HUMAN RIGHTS

Human rights are fundamental freedoms that must be equally and fairly applied to every individual regardless of race, gender, nationality, religion or any other personal characteristics. Unfortunately, human rights breaches are not uncommon within the business environment. According to the International Labour Organization (ILO), 49.6 million people were living in modern slavery in 2021, of which 27.6 million were in forced labour[3].

Companies are facing increased scrutiny and expectations when it comes to their human rights performance. Businesses associated with human rights violations face significant risks, including financial, legal, reputational and stakeholder relations risks.

As a responsible business, we have a duty to uphold international human rights laws and standards across all aspects of our operations, supply chains, and business relationships. This includes promoting fair labour practices and treating all communities with respect, not only as an ethical obligation but also as a social license to operate. By adhering to these principles, we aim to build our reputation as a responsible corporate citizen, which will help to build stakeholder trust for years to come.

Based on CIMB's 2022 materiality assessment, human rights have been identified as a new material matter. This demonstrates the emerging importance of human rights to stakeholders, who recognise the need for businesses to respect the basic rights of everyone.

Human rights compliance is of great importance to our Board and top management. The ultimate responsibility for human rights lies with the Board of Directors and the Group Sustainability and Governance Committee. At the management level, the Group Chief Sustainability Officer is responsible for managing human rights risk as a key element of Sustainability Risk at CIMB.

In this section, we outline our approach to human rights and efforts to ensure that these principles are integrated into all aspects of our business operations. The goal is to not only meet but also exceed industry standards for human rights performance and promote a culture of respect, fairness, and equality in all interactions.

HUMAN RIGHTS POLICY

In 2022, we introduced our Group Human Rights Policy. The main objective of the policy is to provide clarity and transparency on human rights management across the Group. This is to ensure consistency between internal practices and external expectations, including legal and regulatory obligations and voluntary commitments to respect and protect human rights. Within the broader scope of human rights, we focus on issues and risks that are most pertinent to our operations and activities.

COMMITMENTS AND FRAMEWORKS

In particular, we commit to uphold and comply with:

i. The International Bill of Human Rights, including the Universal Declaration of Human Rights (UDHR), International Covenant on Civil and Political Rights (ICCPR), and the International Covenant on Economic, Social and Cultural Rights (ICESCR);

ii. UN Guiding Principles on Business and Human Rights;

iii. ILO Declaration on Fundamental Principles and Rights at Work.

[3] *Global Estimates of Modern Slavery: Forced Labour and Forced Marriage, International Labour Organization (ILO), September 2022.*

With regards to labour rights, we commit to the following:

i. Avoid causing or contributing to labour rights violations as per national legislation standards. In the event where there is a discrepancy between national, regional, and international standards, we will engage with stakeholders to explore approaches that respect international standards.

ii. Respect the rights of our employees, including:
   a. freedom of representation;
   b. right to collective bargaining;
   c. a safe and healthy work environment, including safety from any forms of harassment such as sexual harassment;
   d. fair recruitment and other people practices;
   e. preventing modern slavery; and
   f. respecting regulations on minimum wage and maximum working hours.

iii. Eliminate discrimination in the workplace and promote diversity and inclusion.

Our framework further adopts principles and recommendations laid out in recognised international, regional and local frameworks, including:

i. The UN Environment Programme Finance Initiative Principles for Responsible Banking;

ii. UN Sustainable Development Goals;

iii. Bank Negara Malaysia's Value-Based Intermediation Financing and Investment Impact Assessment Framework and Association of Banks in Malaysia's ESG Principles.

TURNING OUR POLICY INTO ACTION

The implementation of our Human Rights Policy cuts across all aspects of CIMB's business. Starting in 2022, the integration of human rights considerations into our financing procedures has become a requirement and a key element in our risk assessment process. Due to non-compliance with human rights standards, 32 clients were requested to implement corrective action plans.

| Read more about our Group Sustainable Financing Policy

Our human rights due diligence process includes engaging with our suppliers and vendors to conduct Sustainability Due Diligence and to make them aware of CIMB's Vendor Code of Conduct, as outlined in our Group Sustainability Policy. We are guided by the United Nations Guiding Principles on Business and Human Rights to assess actual and potential adverse human rights impacts and how we may have directly caused, contributed, or been linked to an abuse of rights within our supply chain. We have also conducted a human rights risk assessment on selected vendors, starting with security guard providers in Malaysia.

| Read more about CIMB's supply chain procurement process on pages 80 to 81

We continue to maintain a strong emphasis and commitment to ensure that the rights of our employees are protected. This includes their freedom of association as well as regulatory labour rights.

| Read more about CIMB's freedom of association on page 86

In 2023, we will be focusing on four key areas:

- Expanding our current grievance mechanism to include reports on human rights violations, which will be protected by the CIMB Whistleblower Policy. If investigations reveal that CIMB has caused or contributed to human rights violations, we will take steps to rectify the situation.
- Ensuring the adoption and implementation of our human rights policy across all our operations in the ASEAN region, including Singapore, Thailand, Indonesia, Vietnam, the Philippines, and Cambodia.
- Directing our resources towards capacity building through training for our employees and clients operating in sectors with a high risk of human rights violations. These training sessions will raise awareness and help ensure compliance with our own commitments.
- Increasing transparency on our impact on human rights across our supply chain.