

SUSTAINABILITY PROGRESS REPORT

BY GROUP CHAIRMAN AND GROUP CEO

(GRI 102-14)

DEAR STAKEHOLDERS,

CIMB Group’s 2021 Sustainability Report is our account of the management of environmental, social and governance issues that matter most to our customers, shareholders, employees, communities and other stakeholders.

Over the past year, we have continued to grapple with the profound socio-economic crisis arising from COVID-19. Despite increasing vaccination rates across the region, our markets are still at various stages of reopening their borders and economies. Responsible financial institutions must continue to play a key role in facilitating and enabling not only a sustained economic recovery, but one that also ensures no one is left behind, while building resilience in our social infrastructure.

This year, we witnessed unprecedented extreme weather events around the world, causing severe disruption to supply chains, businesses, and lives of communities. This has placed the spotlight on the frailty and interdependence of our current economic and social systems in the face of climate change and other environmental issues. At the same time, regulators in the region are increasing their demands on financial institutions to measure and manage climate risks in their portfolios. In line with COP26, where the financial sector has stepped up to deliver financial resources to address climate change, there has been positive momentum towards addressing systemic barriers impeding sustainable development and the goals of the Paris Climate Agreement.

DEEPENING OUR COMMITMENTS

We continue to deepen integration of sustainability considerations into decision making in our core business. This year we refined and enhanced our sustainability commitments by setting ambitious targets. These included:

- Achieving net zero GHG Scope 1 and 2 emissions in our operations by 2030 and overall Net Zero GHG by 2050 (including scope 3 and financed emissions).
- No Deforestation, No Peat and No Exploitation policy to be rolled out starting mid-2022 in Malaysia, and phased in by stages across the Group.
- Mobilise RM30 billion by 2024 in sustainable finance aimed at creating positive impact aligned with our Green, Social, Sustainable Impact Products and Services Framework.

STRENGTHENING TRUST AND ACCOUNTABILITY

Translating sustainability commitments to action requires strong leadership from the Board and senior management. This year, we established the Board-level Group Sustainability and Governance Committee, providing the Board with greater oversight of sustainability matters via five Independent Non-Executive Directors. We also embedded sustainability KPIs into the performance measurements of the Group’s top 100 executives.

Our sustainability efforts have shown results, and we now rank in the 79th percentile of banks globally in the S&P Global Corporate Sustainability Assessment, which forms the basis of the Dow Jones Sustainability Index. We are delighted that we have achieved our Sustainability Forward23+ headline target three years ahead of time, underlining the focus and importance placed on Sustainability within the Group.

CREATING POSITIVE IMPACT THROUGH OUR SERVICES

We continue to develop innovative sustainable financial products and services to support our clients. In 2021, we structured the world’s first Malaysian Ringgit denominated sustainability-linked derivative transaction and Asia’s largest ESG linked derivative trade. We also launched and priced the Government of Indonesia’s US\$3 billion global sukuk offering with a green sukuk tranche, and the Government of Malaysia’s US\$1.3 billion sukuk wakala, which included a US\$800 million sustainability tranche. We successfully mobilised RM25.9 billion of sustainable finance under our Green, Social, Sustainable Impact Products and Services framework this year. We increased our Assets Under Management in ESG funds, encouraging our individual customers to make more sustainable investment decisions, and increased accessibility to financial services to ensure that no one is left behind.

We hope that all our stakeholders will join us in the making of a more just, economically resilient, and environmentally sustainable ASEAN. We increased understanding of our contribution to climate change, via pilot projects that have helped to quantify physical and transition risks within our financing portfolio. These learnings will help us to better understand the implications of climate change on our business and clients, and to embed these into our business strategies. We are committed to supporting our clients to transition towards a more sustainable future.

INVESTING IN OUR EMPLOYEES

Our employees are the backbone in delivering value to our customers, and our contribution towards building a more sustainable society. We are very proud of their passion and determination to continue to deliver outstanding service to our customers despite the challenges of the pandemic. Although we have adapted well to online and hybrid working arrangements, we recognise the toll that it has taken on many employees’ mental health and general well-being. In response, we rolled out a wellness programme to help employees cope with the stresses of working through the pandemic.

Towards the end of 2020, we conducted our first Organisational Health Index (OHI) survey, where we received over 100,000 comments from over 30,000 employees Group-wide. Over the last year, the leadership team worked to address the key themes raised by employees to improve organisational effectiveness, such as improving collaboration, strengthening talent, and increasing operational efficiency. This has led us to launch a set of organisational values to deliver impact together the right way: through creating an environment that enables talent, drives passion, ensures integrity and accountability, promotes collaboration, and focuses on customer centricity.

BUILDING RESILIENCE IN OUR COMMUNITIES

We are deeply rooted in the communities where we operate. We remain committed to doing what we can to ensure that those at the margins of society have the opportunity to build a better life for themselves, their families and their communities.

We continue to support our customers in weathering and recovering from the pandemic. In 2021, we provided financial assistance of over RM253 billion, through government and industry-initiated financial relief programmes, to help clients and customers overcome financial challenges. Through CIMB Bank and CIMB Foundation, we launched Komuniti Kita, a RM10 million COVID-19 relief project, targeted at supporting medical facilities and the livelihoods of communities under severe financial strain.

We also announced a commitment to invest RM150 million over five years, and a 100,000 hour target of annual employee volunteerism by 2024, to help promote economic resilience among disadvantaged people and communities across the region, as well as towards environmental conservation. Working with our partners, we are confident that our investments will make a positive and lasting difference for people we touch across ASEAN.

In reflecting on 2021, we believe that the sustainability agenda has been elevated on all fronts. Although we have achieved our Forward23+ target of being at the top quartile of banks globally, there is still much to be done. In 2022 and beyond, we will continue our push towards greater sustainability, in particular focusing on innovation in sustainable products and services.

We continue to support our customers in weathering and recovering from the pandemic.



Datuk Mohd Nasir Ahmad
Chairman

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

#CIMBFORTOMORROW

BY CHAIR OF GROUP SUSTAINABILITY AND GOVERNANCE COMMITTEE



HOW HAS SUSTAINABILITY EVOLVED AT CIMB GROUP IN THE LAST FEW YEARS?

Since 2018, the sustainability agenda has truly accelerated across the Group, from forming the Sustainability team, to developing key policies and integrating sustainability-related decision-making processes into our core businesses across the region. There is a growing understanding of the ESG agenda within all parts of the business, and an appreciation that everyone across the Group has a role to play in driving sustainability.

The progress we have made is reflected in the improvements across the various indices we are benchmarked against. We are very encouraged by the increasing level of interest and engagement among our key stakeholders, and we will continue to be transparent in communicating our ESG risks, commitments and progress. In 2021 we organised our first Sustainability Investor Day to share our sustainability agenda and commitments in detail with investors, fund managers and analysts.



WHAT WAS THE IMPETUS BEHIND THE CREATION OF THE GROUP SUSTAINABILITY AND GOVERNANCE COMMITTEE?

When we first started our sustainability journey in late 2018, the agenda was championed at the Board level by Mr. Rob Coombe, who played the role of Sustainability Sponsor. Since then, we have seen increasing demand on sustainability and corporate governance by institutional investors, growing sustainable finance regulations, and acceleration of ESG in the private sector, and we felt the need to intensify and elevate engagement, discussion and oversight at the Board level.

The Group Sustainability and Governance Committee comprises of five Independent Non-Executive Directors representing the key entity Boards - CIMB Bank, CIMB Islamic, CIMB Investment and CIMB Niaga. We provide oversight, advice and direction in the development and implementation of sustainability and climate change strategies and initiatives. We ensure that we communicate sustainability issues and embed relevant discussions at key entity Boards as well as other Board Committees. The Committee also invites other business units and enablers to the meeting to discuss how they are supporting and embedding sustainability in their own functional areas.



HOW IS SUSTAINABILITY INTEGRATED INTO THE DISCUSSIONS AT THE BOARD?

CIMB's economic, environmental and social impacts, risks and opportunities are complex and interrelated across the region. The responsibility and oversight of strategic ESG priorities is the accountability of the Board of Directors, supported by the Group Sustainability and Governance Committee. The Board reviews and approves all Sustainability-related policies.

Sustainability issues are discussed and raised at the Group Board, as well as in other Board committees, which is a sign of integration into business decisions. These debates and discussions have resulted in critical actions by the management, including CIMB's commitment to exit from the coal sector by 2040, and our goal of being net zero by 2030 in our operations, and 2050 in our overall portfolio. Aside from climate change, examples of other issues discussed include human rights, biodiversity risk, and corporate governance.

Sustainability is a broad subject, and the learning curve for Board members has been steep. We conduct regular awareness sessions on key and emerging issues for Board and senior management, so that leadership understands the risks and opportunities these issues present to business.



IS THE BOARD CONCERNED THAT INCREASING SUSTAINABILITY STANDARDS COULD HAVE A NEGATIVE IMPACT ON CIMB'S FINANCIAL PERFORMANCE?

Sustainability is no longer a 'nice to have', and is increasingly core to our business and commercial strategies. There are push and pull factors to this drive, but fundamentally, we believe that doing business in a responsible manner protects not only shareholder and stakeholder value, but is a catalyst for value creation in the longer term. Customers are building an emotional linkage to CIMB's sustainability agenda, with 83% of our individual customers in Malaysia indicating that they care about CIMB's sustainability efforts¹.

The world is on a mission to build back better post COVID-19, and to meet the targets of the Paris Climate Agreement. The 2021 OECD Global Outlook on Financing Sustainable Development estimates a US\$4.2 trillion annual SDG financing gap in developing countries post-COVID. Within ASEAN alone, US\$3 trillion worth of sustainable investment is needed from 2016-2030, mainly for infrastructure, renewable energy, energy efficiency, and agriculture².

Sustainability is about looking forward to what is coming in the next years or decades, and preparing ourselves for some of these inevitable changes. It is our objective to help our clients to navigate this complex landscape and to future-proof their businesses. For example, what are the implications of the emerging EU Carbon Border Adjustment Mechanism, and the increasing human rights due diligence legislations, on our SME and corporate clients? If our clients are adversely impacted or not prepared for these changes, the impact on their business could impact ours as well. These partnerships in addressing such challenges are absolutely critical.

¹ CIMB Survey, April 2020

² Closing the Financing Gap in ASEAN, UN Global Compact and Ernst & Young



WHAT IS THE DIRECTION FOR THE NEXT FEW YEARS?

We are at the final stages of developing our Human Rights Policy, which we aim to roll out in 2022. While we have already integrated elements of human rights risk into our financing due diligence processes, this policy will provide a comprehensive and overarching framework for the Group.

We continue to deepen the integration of environmental and social risk management into our business strategy and operations. We developed a Sustainability Risk Dashboard in 2021, which brings a different perspective to the way we do business. In 2022, we are embarking on an exercise to quantify our most significant Scope 3 financed emissions, which will help us to understand our exposure to climate-related financial risks.

Moving forward, we have to accelerate innovation in sustainable finance. Green, social, sustainable products and services will be ramped up to become mainstream, in line with Bank Negara Malaysia's Financial Sector Blueprint target of channeling more than 50% of all new financing towards climate supporting and transitioning activities by 2026. The outcomes of COP26 also provide a roadmap of opportunities to come, with nations focused on protecting natural capital and peaking carbon emissions, complemented by greater commitments from the private sector.



Sustainability is no longer a 'nice to have', and is increasingly core to our business and commercial strategies.



TEOH SU YIN

Chair of Group Sustainability and Governance Committee
Senior Independent Director, CIMB Group Holdings Berhad