



Sustainable Finance Framework

November 2024

Version 2.1

Proprietary to CIMB

FORWARD  **Together**



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ABOUT THIS DOCUMENT

The **Sustainable Finance Framework (“SFF” or “the Framework”)** consists of a summary of CIMB’s sustainability governance, policies, and implementation of sustainable finance for reference by stakeholders including customers, investors, regulators, civil society organisations and others. This Framework Version 2.1 shall supersede and replace the prior version.

Version	Date Published
Sustainable Finance Framework	June 2022
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Sustainable Finance Framework Version 2.1	July 2024

FEEDBACK

We welcome all feedback, ideas, and questions from stakeholders on this document. Please contact: **Luanne Sieh**, Group Chief Sustainability Officer, CIMB Group, sustainability@cimb.com.

DISCLAIMER

The information presented in this document is correct at time of publishing. All information is subject to change without notice.

Introduction

CIMB Group (or “the Group”) places sustainability as a key strategic pillar and value driver, this is reflected in our Forward23+ strategic plan which aligns our aspirations towards becoming a visible shaper of sustainability practices in the ASEAN community for strategic differentiation and future-proofing of the Group.

CIMB has developed internal governance structures, policies, and frameworks to manage environmental and social risks within the Group as well as in our dealings with clients, partners, and other stakeholders. In order to put our sustainability commitments into practice, we have implemented various programmes to propel ourselves towards a more sustainable business model. These programmes include embarking on carbon footprint reduction projects within our operations, empowering employees to contribute towards sustainability within the organisation, managing longer-term climate risks in our business portfolio, assessing human rights risks across the Group, and engaging and encouraging our clients and peers towards sustainable practices.

Key focus areas include enhancing our sustainability risk management processes through developing and implementing policies and procedures that help to ensure CIMB Group manages indirect environmental and social impacts arising from our financing of clients. Through CIMB’s core businesses, we work with a diverse set of clients and industries across ASEAN.

The Sustainable Finance Framework (“SFF” or “the Framework”) provides information to stakeholders including customers, investors, regulators, and others on how CIMB implements sustainable financing within the Group and provides insights into how we manage risk and maximise opportunities for sustainable finance in our business.

While this Framework outlines our approach and position as a Group, we take a risk-based implementation approach, where we first roll out policies and initiatives within our largest operations and then roll them out progressively to our operations across ASEAN and beyond. Given this, we seek to be transparent on our roll-out timelines as much as possible.

CIMB's Sustainability Commitment

CIMB integrates Environmental, Economic, Social and Governance (EES&G) considerations into our risk management and business strategies to ensure that our business activities make a positive impact while minimising negative impacts on our existing and future stakeholders over the long term.

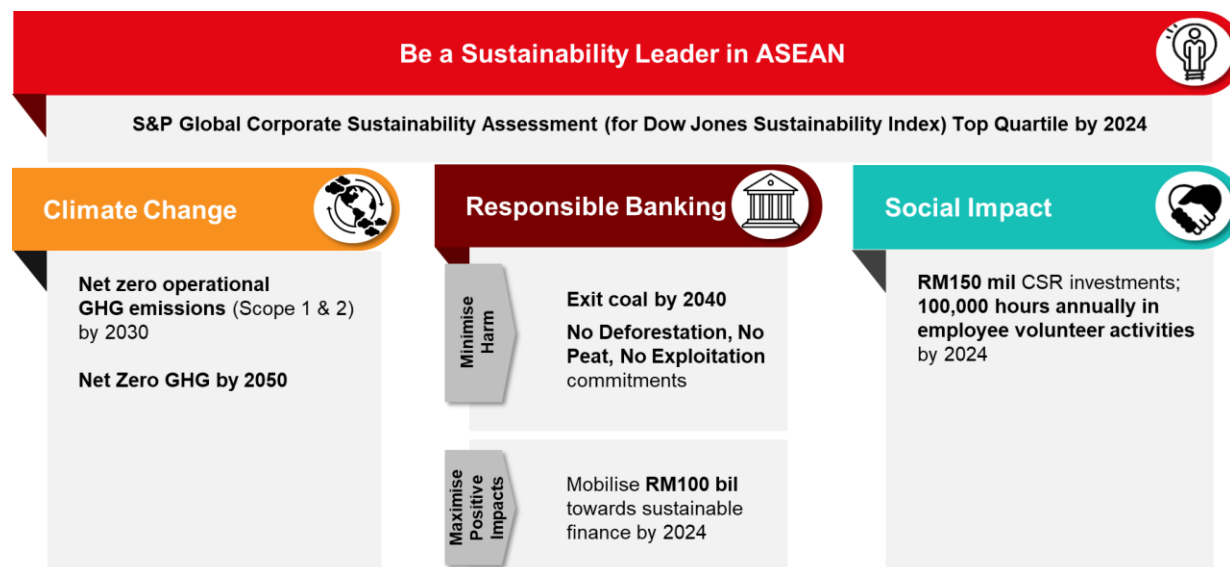


Figure 1: CIMB's sustainability commitments

The CIMB Group Sustainability Roadmap contains programmatic approaches to achieve our sustainability goals, grouped according to five strategic pillars. We intend to implement the roadmap and move forward with embedding sustainability into all aspects of the Group's operations, encouraging the same for our clients; at the same time, engaging in awareness-raising, advocacy, internal capacity building, and change management.



Figure 2: The Group's Sustainability Roadmap

Sustainability efforts at CIMB are driven by the Group Sustainability division and governed by the Group Sustainability Council and Group Transformation Council, comprising of senior members of management

from across the Group with well-defined responsibilities for driving progress on various sustainability KPIs. The Board has ultimate accountability for sustainability and sustainability risk, including overseeing the development and implementation of a sustainability framework for the Group. A Group Sustainability and Governance Committee (GSGC) was formalised in September 2021 to provide greater oversight and stewardship over the Group's sustainability opportunities and risks. The GSGC also assists the Board in advocating and fostering a culture/DNA of sustainability, ethical conduct, and integrity across the Group.

Aligning to Global Commitments and Benchmarks

The CIMB Sustainable Finance Framework defines how we work with clients and customers. It aims to provide details on how CIMB encourages customers to improve sustainability while managing the risks arising from our client relationships.

CIMB is a founding signatory to the **United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (PRB)** and has developed this Framework in line with these Principles.

 <p>PRINCIPLE 1: ALIGNMENT</p> <p>We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.</p>	 <p>PRINCIPLE 2: IMPACT & TARGET SETTING</p> <p>We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.</p>	 <p>PRINCIPLE 3: CLIENTS & CUSTOMERS</p> <p>We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.</p>
 <p>PRINCIPLE 4: STAKEHOLDERS</p> <p>We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.</p>	 <p>PRINCIPLE 5: GOVERNANCE & CULTURE</p> <p>We will implement our commitment to these Principles through effective governance and a culture of responsible banking.</p>	 <p>PRINCIPLE 6: TRANSPARENCY & ACCOUNTABILITY</p> <p>We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>

Figure 3: Principles for Responsible Banking (PRB)

The key to the implementation of our sustainability commitments is benchmarking against international standards on ESG and sustainable finance. We currently benchmark our progress against recognised indices including the S&P Global Corporate Sustainability Assessment (CSA) (for Dow Jones Sustainability Indices) and WWF's Sustainable Banking Assessment (SUSBA). Key targets and progress are measured and reported internally and externally through our Sustainability Report which is published annually and made available on the CIMB Group website.

CIMB is a signatory to the **Net-Zero Banking Alliance (NZBA, a constituent of the Glasgow Financial Alliance for Net Zero)**, where we are committed to achieve net zero greenhouse gas (GHG) scopes 1 and 2 emissions in our operations by 2030, and overall Net Zero GHG by 2050 (including scope 3 financed

emissions), in line with Nationally Determined Contributions (NDCs) and the 1.5 degrees scenario of the Paris Climate Agreement.

We are also a signatory to Partnerships for Carbon Accounting Financials (PCAF).

“CIMB firmly believes that businesses and stakeholders need to come together to address the potentially devastating impacts of climate change and ensure actions are taken to mitigate the effects on people and ecosystems globally.”

Dato’ Abdul Rahman Ahmad
Group Chief Executive Officer, CIMB – June 2022

While climate action is a key focus, CIMB’s sustainability strategies are more broadly aligned to seven priority Sustainable Development Goals (SDG).

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

CIMB's Sustainability Philosophy and Principles

All Sustainability endeavors at CIMB Group are guided by the Group Sustainability Policy (GSP), which applies to the Group as a whole in our operations. The GSP seeks to provide clarity and transparency around how sustainability risk and opportunities are managed across the Group, in consideration of risks arising from our business relationships (clients/customers, investee, employee, supplier/vendor/outsourcing partner, corporate responsibility or other business partner) and diverse stakeholder expectations.

Internal Operations

The Group will aim to ensure that the management of its internal operations and employees is consistent with applicable Sustainability policy requirements.

Business Activities and Relations

The Group will not knowingly engage in business activities or with business relations that do not meet its Policy requirements.

Net Positive Impact

As a Group, we will always strive to create a net positive impact on our business relations and the community. We will adopt an inclusive approach to positively influence our business relations in their sustainability performance, and taking a holistic approach in striving for a just transition to a greener economy.

Opportunities for Sustainable Growth

CIMB will engage actively and openly with our stakeholders regarding proactive management of Sustainability Risk and identification of opportunities for sustainable growth.

Integrating Economic, Environmental and Social Risk Assessments

The Group will take a proactive approach to integrate economic, environmental, and social risk assessments in central processes such as lending / financing, investments, procurement, and managing operational impacts.

In driving these Principles, we take the following approach:

- Our focus on environmental and social issues / risks must begin with addressing impacts from our own operations and how we manage our employees. The Group will take appropriate measures to ensure that its internal operations and employees are managed in a manner that is in alignment with the spirit and intent of the Policy requirements.
- We will take appropriate measures to manage the Sustainability Risk of our business activities to the extent possible and will not knowingly engage in business activities or with business relations

that are on our [Exclusion List of activities](#). The Group will take reasonable steps to assess the Sustainability Risk of business relations. If the Group concludes that the business relation is not committed to a level of sustainability performance that meets CIMB's policy requirements, or that the business relation is engaged in any Exclusion List activities, the Group will not engage with the business relation.

- Upholding a just transition along our transformation in greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities, and leaving no one behind.
- Whilst we recognise that our business relations are fully responsible for their own actions and decisions, we will use our influence and relationships to steer them towards sustainable practices. We will strive to engage and equip them with knowledge and skills that may be required for championing and meeting sustainability commitments. Our ultimate objective is to continue providing seamless access to finance across geographies where we operate, and the business landscape that we cover, as well as enhancing financial knowledge and supporting people and businesses to fulfil their aspirations and achieve meaningful growth.
- CIMB maintains a constructive and open exchange of ideas on sustainability with a broad range of its stakeholders. The Group is committed to having a transparent process and will demonstrate its engagement on sustainability issues by actively discussing environmental and social matters with its stakeholders, in terms of both risks and opportunities.
- CIMB will exercise a precautionary approach, taking due care and diligence, to evaluate, adopt and advocate measures that will minimise, and, in the long-run, prevent environmental harm as well as promote social equity.

Sustainable Finance: An Overview

As a financial institution that provides financial services to enable and facilitate economic development, it is our duty, as a responsible corporate citizen, to manage the risks and potential negative impacts arising from the activities that we finance. This includes impacts on the environment, as well as to society and the economy in general. At the same time, we also aim to deliver positive impact to our stakeholders, from our customers to communities, that we impact through our businesses, and the planet. Through our products and services, we are able to support businesses and activities that create positive impacts on society, from economic, environmental and social perspectives.

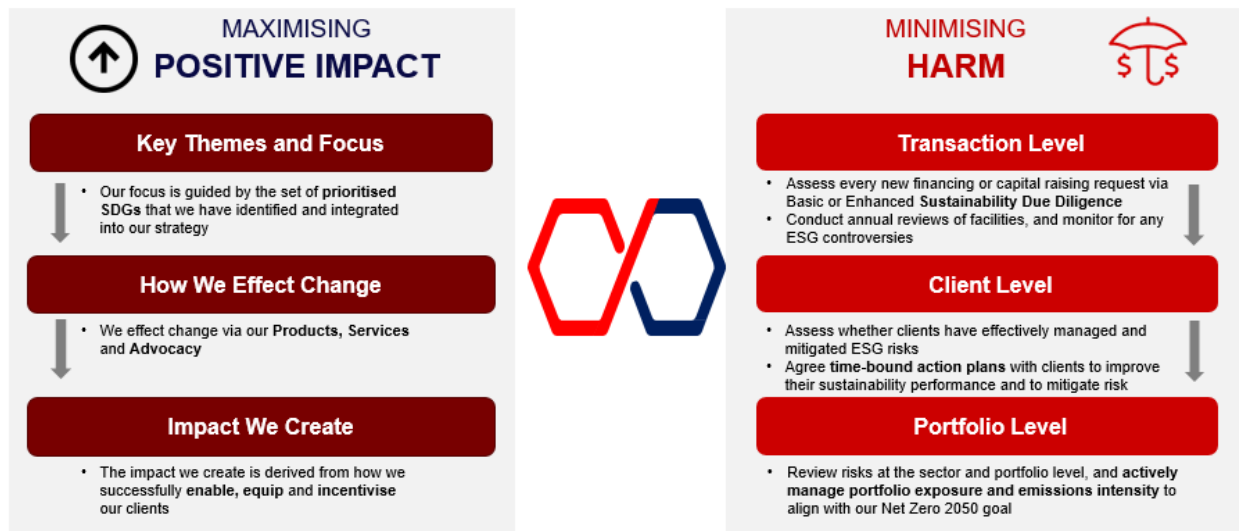


Figure 4: Overview of CIMB's Approach to Sustainable Finance

In managing financing risks, our main governing policy is the **Group Sustainable Financing Policy (GSFP)**, while the **Sustainable Finance Classification Guiding Principles and Green, Social, Sustainable Impact Products and Services (GSSIPS) Framework** guides the development of products and services that deliver positive impacts.

We recognise that managing sustainability risks is a key priority for the financial sector. As such, we engage with clients and stakeholders to ensure that these risks are mitigated. In consideration of climate change and the need to meet climate targets, we engage in risk mitigation efforts and leverage on new and existing client relationships to encourage low-carbon development. These initiatives are key to our sustainability strategy.

In practice, the implementation of sustainability at CIMB aims to ensure that economic development continues to thrive in balance with the long-term environmental and social needs of people and the planet. Through our policies and action plans for sustainability, we aim to enable opportunities for economic and social development, while ensuring harm is avoided in the course of business.

Maximising Positive Impact: Defining Sustainable Finance at CIMB

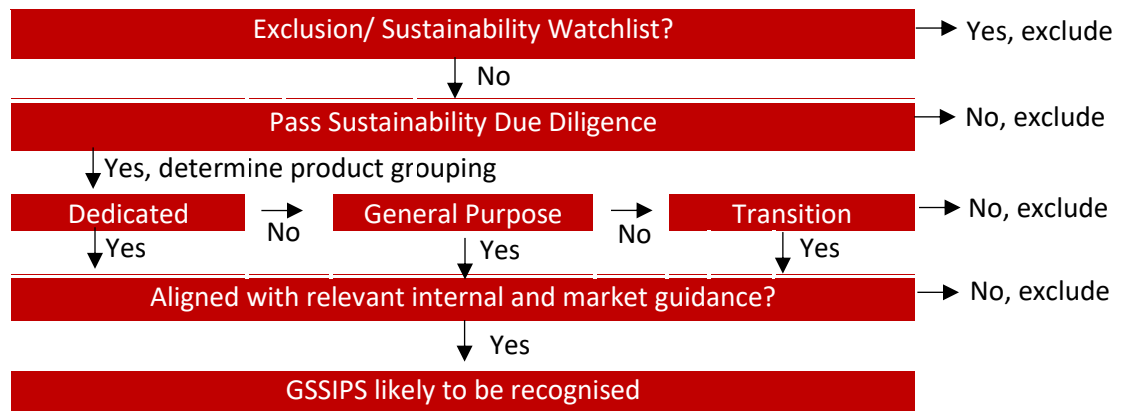
In line with our commitments to mobilise sustainable finance, CIMB has moved forward with various Green, Social, Sustainable Impact Products and Services (GSSIPS) for businesses and individuals which will continue to evolve and expand over time. Our GSSIPS suites are broadly defined into four main groups:

Table 1: CIMB's GSSIPS Grouping

	Dedicated Purpose	General Purpose	Transition (incl. Sustainability-Linked)	Liabilities and related Products
Description	Use of proceeds directed towards eligible activities aligned with internal and market guidance	>90% of company revenue derived from eligible activities aligned with internal and market guidance	Products aligned with sustainability-linked market guidance or use of proceeds directed towards eligible transition activities described in internal and market guidance	Funding raised by CIMB referenced against our sustainable finance assets base and related products
Examples	<ul style="list-style-type: none"> Green, Social, Sustainable Financing Green Bond/Sukuk 	<ul style="list-style-type: none"> Term financing for a pure play renewable energy company 	<ul style="list-style-type: none"> Sustainability-Linked Financing, Bond/Sukuk or Treasury Solutions 	<ul style="list-style-type: none"> CIMB SDG Bond CIMB Sustainability Repo CIMB Sustainability-Linked Derivatives
Internal and Market Guidance	<p>CIMB</p> <p>GSSIPS Framework</p> <p>SDG Bond and Sukuk Framework</p> <p>Asia Pacific Loan Market Association (APLMA)/ Loan Market Association (LMA)/ Loan Syndications and Trading Association (LSTA)</p> <p>Green Loan Principles</p> <p>Social Loan Principles</p> <p>Sustainability-Linked Loan Principles</p> <p>International Capital Market Association (ICMA)</p> <p>Green Bond Principles</p> <p>Social Bond Principles</p> <p>Sustainability Bond Guidelines</p> <p>Sustainability-Linked Bond Principles</p> <p>Climate Transition Finance Handbook</p> <p>ASEAN Capital Markets Forum (ACMF)</p> <p>ASEAN Sustainability Bond Standards</p> <p>ASEAN Green Bond Standards</p> <p>ASEAN Social Bond Standards</p> <p>Securities Commission Malaysia</p> <p>Sustainable and Responsible Investment (SRI) Sukuk Framework</p> <p>SRI-Linked Sukuk Framework</p> <p>Guidelines on SRI Funds</p> <p>Bank Negara Malaysia</p> <p>Climate Change and Principle-Based Taxonomy</p> <p>Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Sectoral Guides</p> <p>International Swaps and Derivatives Association (ISDA)</p> <p>Sustainability-Linked Derivatives: KPI Guidelines</p>			

Note: The market guidance list is non-exhaustive. We closely review market developments to ensure we make reference and incorporate the most up-to-date principles and guidelines where appropriate.

Classification Logic



In our continued effort to remain transparent and enhance our classification and reporting practices, we developed a set of guiding principles to ensure our approach remains aligned with best market practices. As innovation accelerates and the market matures, we do expect the GSSIPS definition, scope and coverage to continue to evolve which we will review and update in future versions of this Framework accordingly. For avoidance of doubt, this Framework applies to all CIMB businesses across the Group.

Sustainable Finance Classification Guiding Principles

- 1. Recognition framework and classification logic benchmarked against market best practice.** Where available, the most up-to-date industry guidelines, principles and any accompanying guidance documents (as illustrated in Table 1) are to be taken as a first point of reference.
- 2. No double counting.** We only count a product's contribution to green, social, or sustainable impact once, even if it is included in multiple products. For example, where we accept funds such as Sustainable Term Investment Account-i, which are channeled towards SME financing given out by the Bank, we only count the achievement once, at the point of financing.
- 3. Priority towards direct end impact.** We prioritise measuring our achievements based on the direct end positive impact whenever possible.
- 4. Regular review of recognition framework, classification logic.** We regularly review our approach to classifying GSSIPS to ensure alignment with the latest market standards. This is necessary because there are currently no standardised regulations for Sustainable Finance reporting, and there is an increasing risk of greenwashing due to rapid market developments.

Green, Social, Sustainable Impact Products & Services (GSSIPS) Framework

The GSSIPS Framework provides a guide and an internal taxonomy for the Group to deliver impactful sustainable finance. In practice, the Framework is guided by the Classification Guiding Principles covering segments across the bank from Consumer Banking and Small & Medium Enterprises, to Commercial and Wholesale Banking. It also acts as a building block for more complex use cases (e.g. CIMB Group's SDG Bond and Sukuk Framework).

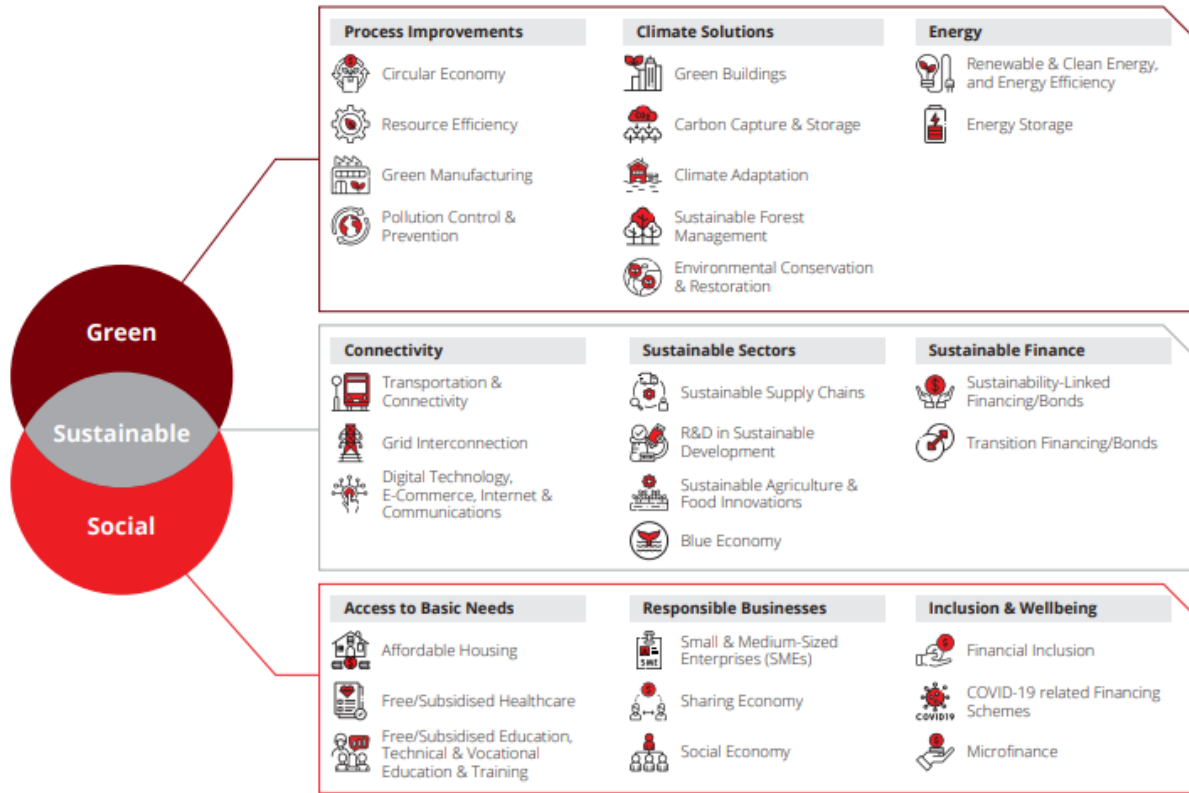


Figure 5: Green, Social & Sustainable Impact Focus Areas

In September 2023, we further revised our sustainable finance target to RM 100 billion from the already revised target of RM 60 billion by 2024 under our GSSIPs Framework. This new target reflects our previous success in mobilizing RM 30 billion of sustainable finance, which we achieved two years earlier than expected, prompting us to increase our efforts.

Table 2: CIMB's Sustainable Finance Commitment

Commitment	Effective Date	Amount	Commitment Period
Sustainable Finance Mobilised	22 Sept 2021	MYR 30 billion	2021 – 2024
	20 Sept 2022	MYR 60 billion*	
	11 Sept 2023	MYR 100 billion*	

* This is an updated commitment for 2021-2024 superseding the earlier commitment of RM30 billion over the same period.








GSSIPS Suite and Reporting Scope

CIMB's GSSIPS suite is detailed in the table below. All GSSIPS are identified and nominated by the Business Units through Relationship Managers or Business Teams, which are then reviewed and endorsed by the Sustainable Finance Business Teams (where available) and country level Sustainability Units regionally.

Endorsed deals are then submitted to Group Sustainability for final validation and approval. For more complex transactions, approval from the Group Sustainability Council (GSC) will also be sought.

Products that are recognised towards the Group's commitment are tracked as part of CIMB's Sustainable Finance Mobilised towards RM100 billion between 2021 – 2024.

Table 3: CIMB's GSSIPS Suite and Reporting Scope

Grouping	Product	Amount Recognisable	Frameworks/Principles Alignment ¹	Recognised towards Group commitment?
For Businesses				
Dedicated / General Purpose	Green, Social and Sustainable Financing	Financing committed	<ul style="list-style-type: none"> GSSIPS Framework APLMA/LMA/LSTA Green/Social Loan Principles 	
	Micro and Small Enterprise Financing	Financing committed		
	Green, Social and Sustainable Bond/Sukuk	Apportioned issuance amount ²	<ul style="list-style-type: none"> ICMA Green/Social/Sustainability Bond Principles/Guidelines SRI Sukuk Framework 	
Transition	Sustainability-Linked Financing	Financing committed	<ul style="list-style-type: none"> GSSIPS Framework APLMA/LMA/LSTA Sustainability-Linked Loan Principles 	
	Transition Financing	Financing committed	<ul style="list-style-type: none"> GSSIPS Framework ICMA Climate Transition Finance Handbook 	
	Sustainability-Linked Bond/Sukuk	Apportioned issuance amount ¹	<ul style="list-style-type: none"> ICMA Sustainability-Linked Bond Principles SRI-linked Sukuk Framework 	
	Sustainability-Linked Treasury Solutions	Notional Amount	<ul style="list-style-type: none"> ISDA Sustainability-linked Derivatives: KPI Guidelines 	

For Individuals				
Dedicated/ General Purpose	Green and Social Financing	Financing committed	• GSSIPS Framework, and/or	✓
	Financial Inclusion Financing	Financing committed	• CIMB SDG Bond and Sukuk Framework	✓
	ESG Investment Products i.e. ESG-themed funds, ESG labelled bond	New product sales	• GSSIPS Framework • ICMA Green/Social/Sustainability Bond Principles/Guidelines	✓
Internal Funding and Related Products				
Liabilities and related products	CIMB Sustainable Repo	Notional Amount	• CIMB SDG Bond and Sukuk Framework • SRI (-Linked) Sukuk Framework	✗
	CIMB Sustainable Bond/Sukuk	Total issuance amount	• CIMB SDG Bond and Sukuk Framework • ICMA Green/Social/Sustainability Bond Principles/Guidelines • SRI (- Linked) Sukuk Framework	✗
	CIMB Sustainability-Linked Treasury Products	Notional Amount	• ISDA Sustainability-linked Derivative Guidance	✗
Others				
Sustainable and Sustainability-Linked Deposits and Investment Accounts	Sustainable Term Investment Account-i	Placement Amount	• GSSIPS Framework	✗
	Environment-focused Deposits Account	Growth in balances		✗
	Sustainability Waqf	Total portfolio balances		✗

Note: (1) Non-exhaustive, (2) As accredited by Bloomberg's League Table

Minimising Harm: Our Approach to Managing Sustainable Finance Risks

Group Sustainable Financing Policy

The **Group Sustainable Financing Policy (GSFP)** provides guidance on relevant environmental and social risks and their related impacts to our clients, stakeholders, environment and ourselves. The GSFP enables CIMB to make informed decisions according to our values and aspiration to provide responsible and sustainable financial services.

The GSFP is a key component of CIMB's Sustainability Risk Framework, and is implemented to integrate environmental and social considerations into CIMB's financing decisions at the client and transaction level, in order to manage environmental and social risks arising directly or indirectly from CIMB-financed clients and activities. Aggregate risks at the overall sector and portfolio level are controlled via other components of CIMB's Sustainability Risk Framework, such as via sector limits and scenario analysis for sensitive sectors.

The GSFP has been developed considering the commitments, principles, and standards to which CIMB will be accountable to. Through the GSFP, the Group seeks to identify, assess, and manage risks arising from financing clients and sectors that have the most impact on, and are most vulnerable to, environmental and social risks.

The GSFP was rolled out on 1 July 2019 in Malaysia and has been implemented across ASEAN and our global branches. All new financing and existing uncommitted facilities are covered within the scope of the GSFP. This includes annual renewal and reviews of existing uncommitted facilities, such as working capital loans/ financing and bank guarantees.

The GSFP applies to non-individual financing customers, as follows:

- 1. Wholesale Banking and Commercial Banking (Business Banking)¹**
 - 2. Customers who engage with CIMB for capital raising through IPOs and bond/Sukuk issuances**
-

The GSFP covers loans, financing, and capital raising activities such as, but not limited to, term loans and financing, project financing, working capital financing, syndicated loans and financing, mergers and acquisition financing, leveraged financing, IPOs and bond/Sukuk issuances (primary and secondary), including where CIMB serves as principal adviser/lead arranger/lead manager/book-runner/primary subscriber or underwriter.

In managing our sustainability risks, we have set out minimum requirements that customers are expected to fulfil when seeking financing from CIMB. We also restrict financing to customers who are found to be engaging in activities which we have set out as prohibitions as per our [Exclusion List of Activities](#).

The GSFP has been operationalised through the training of client relationship managers and personnel from relevant departments including risk, compliance, and other support functions. The GSFP is approved by the Board, and along with its related reference documents including exclusions lists, sustainability sensitive sector lists and guides, undergo a review process at least once every two years.

¹ For CIMB Malaysia, GSFP applies to entire Commercial Banking including both Business and SME Banking

Sustainable Financing Due Diligence Process

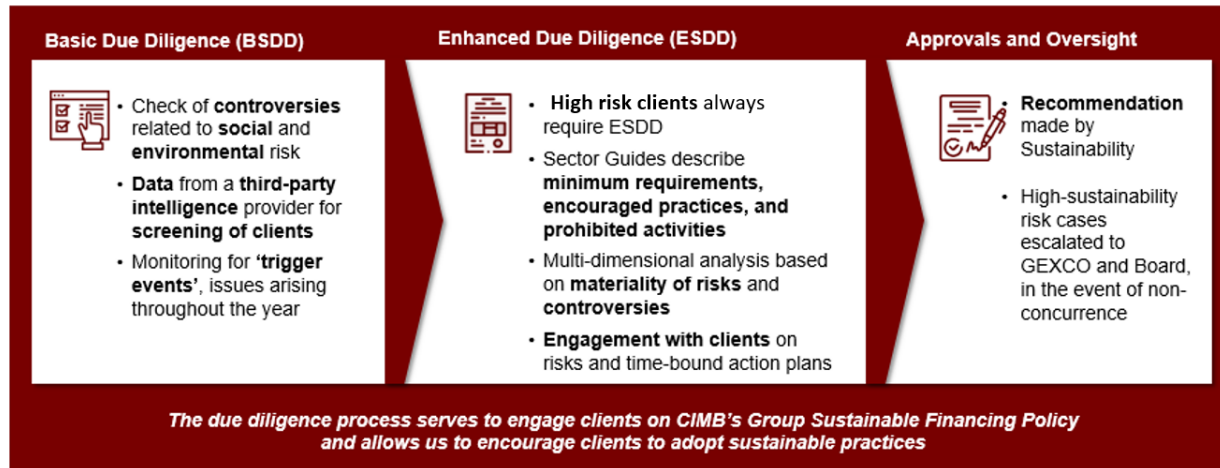


Figure 6: An overview of CIMB's approach to financing risk management

Under the GSFP, sustainability risk in specific financing decisions is assessed and managed through a structured, risk-based due diligence process. In considering the risks arising from our financing exposure, both client- and transaction-level risks are accounted for:

- In terms of business lending/financing, clients are assessed based on the entity's sustainability credentials, including policies, commitments, and track record.
- At the transaction level, we take into consideration the intended use of proceeds, and potential environmental and social impacts that could arise as a result.

Basic Sustainability Due Diligence

All companies that CIMB does business with are subjected to basic sustainability due diligence that is undertaken by CIMB's relationship managers.

The Basic Sustainability Due Diligence (BSDD) encompasses basic assessment on key environmental and social risks that a client may be exposed to including human rights risk, and whether a client has been linked to social or environmental related adverse news in the past three years. This includes checking if a client has been cited in news reports, or linked through credible sources to negative social and environmental impacts.

We believe that three years is a reasonable time frame to ensure material risks are considered as part of the assessment of a client's sustainability risk. However, if there are severe risks beyond the three-year time frame that remain unresolved, these would also be considered. A regular assurance process is in place, with cases checked periodically to confirm the accuracy and completeness of the BSDDs.

Enhanced Sustainability Due Diligence

Clients that are in sustainability sensitive sectors or are facing escalated risks as indicated via the BSDD are subjected to an enhanced sustainability due diligence (ESDD) process. The enhanced due diligence involves an internal analysis conducted by CIMB's Sustainability team, supplemented by external subject matter expertise where necessary.

There are several circumstances that require a client to undergo the ESDD:

- Clients where the BSDD process reveals significant environmental or social risk.
- Clients who are engaged in Sustainability Sensitive Sectors as defined by CIMB and have not fulfilled the minimum requirements laid out in CIMB's Sector Guides.
- Clients who have not complied with Sustainability Action Plans that were mutually agreed upon approval of a financing facility
- Clients that have been highlighted as being linked to significant environmental and social risks by credible sources including, but not limited to, CIMB employees and stakeholders, regulators, media, non-governmental organisations, and recognised sustainability information providers.

Through the ESDD process, we are able to identify if the client has room for improvement in terms of managing sustainability risks or has already sufficiently managed these risks. The ESDD process is driven by a number of factors, including understanding clients' businesses and operations, as well as industry and sector-specific risk factors. We recognise that different companies operating within the same industry may have significantly different levels of progress in sustainability commitments and progress.

In arriving at recommendations from an environmental and social perspective, we assess clients' sustainability performance and risks, as well as their commitment, capacity and track record in managing environmental and social issues. CIMB also considers operational procedures, reputational risk, and regulatory compliance.

These aspects are assessed from two perspectives:

- The environmental and social risks that the **client and its operations are exposed to**, due to considerations such as the nature of its activities, geographical location, supply chain and raw material production impacts, among others. A key aspect of consideration includes climate-related physical and transition risks, as well as mitigation actions that are being pursued.
- The environmental and social risks **arising from the financed activity**. This includes specific project-related risks and related direct and indirect impacts to the environment and communities, and includes an assessment of the client's sustainability commitments, policies, performance, track record, and reputation.

The outcome of the ESDD guides our financing decisions, and may result in either a recommendation for approval, or a recommendation with mutually agreed action plans on managing sustainability risks, or a recommendation to reject a client for financing.

Key Environmental and Social Considerations for Assessing Risk

We take into account a broad scope of environmental and social considerations in assessing risk in potential clients and transactions. A non-exhaustive list of issues we consider is in the table below.

Environmental Risks	<ul style="list-style-type: none"> ▪ Climate Change: Business activities that may be impacted by climate change leading to business disruption and/or negative financial impacts in the future. These could include:
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	<ul style="list-style-type: none"> ➤ 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. ▪ Biodiversity Loss: The risk arising from activities that occur within or near areas of high biodiversity that may impact endemic or endangered species of flora and fauna. ▪ Deforestation: The risk arising from developments and other industrial activities on forested areas, including those designated as national or state reserves and High Conservation Value/ High Carbon Stock areas as assessed by a credible technical assessor. ▪ Ecosystem Degradation: The risk arising from permanent changes or significant impacts to sensitive physical environments such as mangrove, peat swamp or limestone areas. ▪ Marine Environment: The risk arising from activities that impact marine ecosystems, that may cause loss of marine biodiversity. ▪ Waste and Pollution: The risk arising from production and management of waste and by-products that may arise from activities within or surrounding a landscape, including air, land, and water pollution. ▪ Material and Energy Use: The risk arising from high or inefficient use of natural resources, electricity, and other energy sources. ▪ Water Scarcity: The risk arising from activities conducted in areas of water scarcity, and where developments could impact water availability, for example, through changes in the natural landscape.
Social Risks	<ul style="list-style-type: none"> ➤ Institutional Integrity²: The risk arising from poor management practices that may result in non-fulfillment of sustainability policies and commitments and negative environmental and social impacts. ➤ Human Rights and Labour: The risk arising from activities impacting communities and workers, including working conditions and benefits, equal remuneration, gender equality and no discrimination, contractual agreements, right to form associations, and provision of basic needs including housing, access to water, healthcare and education, among others. CIMB Group's Policy Statement on Human Rights is available on our website. ➤ Negative Impacts on Communities: The risk arising from activities that impact inhabited areas, including the Free, Prior and Informed Consent (FPIC) of communities impacted by business activities. ➤ Health and Safety: The risk arising from unsafe working conditions, including lack of provision of personal protective equipment, lack of policies and procedures on workplace safety and access to compensation and medical coverage.

² Note that risk factors related to a client's governance issues are considered as part of the scope of the CIMB Group Anti-Money Laundering / Counter-Financing of Terrorism and Group Anti-Bribery and Corruption Policies, which deal with offences or unlawful activities such as financial crime, money laundering, terrorism, proliferation financing, bribery and corruption, and regulatory breaches.

The environmental and social risks outlined above could result in financial risks to CIMB. In arriving at a financing decision, 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 on the business, inadequate control over sustainability impacts, or failure to adequately address a critical sustainability-related incident due to poor management oversight.

Collateral Risk

The potential for financial losses arising from the loss 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 and/or international media, with regard to potential or alleged material issues such as legality of operations, imminent risk to life, and other major controversies that would negatively impact any association with the bank.

Others

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 due to the transition to sustainable, low-carbon, energy-efficient production methods resulting in loss of customers and market share.

Key Data Sources for Due Diligence

Some of our primary sources of data are listed below.

➤ **Client disclosures and reporting**

Information on sustainability is obtained from a company's disclosures including their annual report, sustainability report, if available, and relevant press releases and company announcements.

The initial step in the ESDD process is understanding the client's operations. This includes information on the company's core and non-core businesses, revenue contributions from each business, existing disclosures on sustainability, and any relevant environmental and social risk controls.

Companies that fall within a sustainability sensitive sector as identified by CIMB are subjected to the ESDD process and minimum requirements apply for certain sectors.

Refer below for more details on sustainability sensitive sectors and minimum requirements.

➤ Reference to Third-Party ESG Data Providers

CIMB utilises specialist providers of ESG-related information on clients' environmental and social impacts and risks. Each company in the provider's database is linked to a score derived from its disclosures on sustainability governance, environmental and social risk controls as well as controversies that the client has been linked to. We also leverage satellite monitoring technology to detect land-use change and deforestation risk, and use other publicly available tools that support projection of climate physical risk (i.e. flood risk) based on global temperature scenarios.

➤ Media reports and other sources

Information on a client's sustainability position is obtained from credible news sources, in particular, pertaining to controversies related to a company's operations that may have resulted in negative environmental or social impacts. The analysis also includes positive impacts that may arise from a company's operations, and this is considered in the recommendation decision.

Approval and Escalation

Based on the above steps, the ESDD report is reviewed internally and a recommendation for approval is provided by Group Sustainability.

The ESDD report can result in four potential outcomes based on the following:

Recommended to Approve	<ul style="list-style-type: none"> ▪ The client has adequate systems and controls over its sustainability risks. ▪ The environmental and social risks arising from the client's activities and governance are deemed acceptably low, or have been sufficiently managed and controlled. ▪ The client is fully in compliance with requirements set out by the relevant CIMB Sector Guide.
Recommended with Action Plan(s)	<ul style="list-style-type: none"> ▪ The client has certain gaps in their systems and controls on sustainability and needs to address these within a specified time frame. ▪ The client has not fully complied with requirements set out by the relevant Sector Guide. ▪ The client has an ongoing sustainability controversy that needs to be addressed through a time-bound action plan.
Not Recommended	<ul style="list-style-type: none"> ▪ The client has inadequate systems and controls to manage their sustainability risks and has not shown commitment or progress in improving these. ▪ The client has an ongoing sustainability controversy that is assessed to be critical and may result in immediate and permanent damage to the environment or society.
Rejected	<ul style="list-style-type: none"> ▪ The client is engaging in a prohibited activity as defined in CIMB's Exclusion List (refer Exclusion List of Activities). ▪ The client is listed in CIMB's Sustainability Watchlist.

All high sustainability risk cases require approval by the relevant approving authority within the Business Unit (Wholesale or Commercial Banking). In cases where there is non-concurrence in the recommendation between the approving authority and Group Sustainability, the decision is escalated ultimately to the Group Executive Committee (GEXCO), chaired by the Group CEO. GEXCO has the discretion to further escalate the decision to the Board or the Group Sustainability and Governance Committee (GSGC) for final approval.

Client Engagement and Action Plans

In some cases, a client may be linked to negative environmental and social impacts or are not currently meeting our minimum requirements. If the impacts are not severe in nature and may be rectified or improved through the implementation of controls and remedial measures, CIMB will engage the client and may request that the client implements a time-bound action plan. The time-bound action plan is reviewed on an annual basis to check for adherence and progress on resolution. Extension request of time-bound action plan is permitted with sufficient justification.

Sustainability Watchlist

If a client does not fulfill the requirements of their action plan, CIMB issues a reminder letter to the client. If the client does not respond or does not satisfactorily provide reasons for a delay in implementation of an action plan, the client may be placed on the Sustainability Watchlist. Any client on the Sustainability Watchlist is prevented from obtaining any new or additional financing from CIMB.

Key Elements of the GSFP

Sustainability Sensitive Sector List

CIMB maintain a list of sectors and subsectors which are deemed to be faced with high current or potential environmental (including climate and nature) and social risks. This list of sustainability sensitive sectors is reviewed periodically to ensure continued relevance.

Palm Oil	Clients involved in the planting of oil palm, and manufacturing palm oil and its products
Forestry	Clients involved in silviculture (forest plantations) and logging activities in natural forests
Construction & Infrastructure	Clients involved in the following activities: <ul style="list-style-type: none"> • Construction of roads, railways, utility projects, airports, harbours and other civil engineering projects • Infrastructure including for airports, harbours, highways and bridges • Construction of real estate developments • Demolition • Site preparation
Oil & Gas	Clients involved in upstream activities of the oil & gas industry, including support activities for those businesses and/or projects and in the construction of oil & gas pipelines
Mining & Quarrying	Clients involved in the mining and quarrying of raw materials, including but not limited to extraction of gold and tin, mining of iron ores, non-ferrous metals, radioactive materials, chemical and fertiliser minerals, quarrying of stone, sand and clay, extraction of peat
Coal & Power Generation	Clients involved in mining of coal, coal-fired electric power generation, transmission and distribution, shipping of coal, infrastructure built for coal, manufacturing of coal and its products, and coal contractors
Manufacturing	Clients involved in manufacturing, including processing of mined materials i.e. coal, iron ore, oil and gas; automotive and transport, materials used in construction including cement and steel; agricultural products including pulp and paper and rubber products; semi-conductor & computer equipment, electrical & electronic equipment, machinery, chemicals, plastics, textiles, apparel and leather goods
Permitted Exemption Activities	Arms & Munitions, Casino and Gaming, World Heritage Sites (<i>as described in the section on Permitted Exemptions to Exclusion List</i>).

Exclusion List of Activities

CIMB has instituted stringent controls against financing activities that are in contravention of laws and regulations, and where there is imminent risk to life and wellbeing.

CIMB will not engage with clients involved in the following activities:

- **Illegal activities** – Transactions with individuals or entities that are known to be involved in illegal activities, including arrangements / engagements structured solely to assist obligors / counterparties to contravene regulatory, accounting and tax rules and guidelines, or aimed at tax evasion and/or manipulating financial statements. For the avoidance of doubt, the legality of an activity is determined based on the national laws of the country where the activity takes place.

- **Arms and Munitions** – Military Equipment / Proliferation Financing including transactions linked to the financing of production, sale / purchase, storage or movement of arms and munitions, financing of proliferation of weapons of mass destruction (e.g. nuclear, biological, or chemical weapons), financing of parts mainly or solely used for arms and munitions, as well as financing of related technologies or services for arms and munitions.
- **Casino and Gaming** - Transactions or clients involved in pure casino / gaming enterprises or internet-based casino / gaming activities.
- **Bribery** – Including giving, offering, receiving or requesting of bribes.
- **Breaches of national labour laws and human trafficking laws** – Including engaging with companies directly involved in child labour, human trafficking, or breaches of labour and related regulations.
- **Illegal logging or uncontrolled fire** – Including business relations that engage in illegal logging or uncontrolled use of fire for clearing forest lands.
- **Activities impacting World Heritage Sites** – Business relations or transactions that involve undertaking activities for natural resource development within UNESCO World Heritage sites, or industrial activities that have a negative impact on World Heritage Sites.
- **Terrorism** – Business relations or transactions involved in the unlawful use of violence and intimidation, especially against civilians in the pursuit of political aims.
- **Smuggling** – Business relations or transactions involved in the illegal movement of goods in or out of a country.

Additionally, CIMB will not finance the following activities:

- **Thermal coal** – Any forms of investments held for sale or to maturity, asset-level or general corporate financing or refinancing including project financing and capital raising that are specified as being for, or advisory services in connection with greenfield and existing thermal coal mines and/or coal-fired power plant (CFPP) projects including their expansions, retrofit and/or modification projects for CFPP, acquisition of thermal coal mines and/or CFPP, greenfield infrastructure projects constructed predominantly for thermal coal mining activities, and mountaintop removal, in any location (refer to [Coal Sector Position Statement](#) for more details).
- **New oil fields** – New lending, investments held for sale or to maturity, and capital market facilitation specifically for the purpose of financing new oil field projects approved for development after 31 Dec 2021 (refer to [Oil & Gas Sector Position Statement](#) for more details).

In addition to the above, the Group will not engage in transactions that directly support political campaigns, either via government officials, politicians, political candidates or political organisations.

Permitted Exemptions to Exclusion List

In relation to the above, under certain conditions, permitted exemptions are described for the following activities:

Arms and Munitions:

Specific exemptions may be granted by the Group Sustainability and Governance Committee (GSGC) on a case-to-case basis.

- (a) Escalated approval shall be obtained for Corporate and Commercial Banking clients involved in the provision of Arms & Munitions involving sale to the Ministry of Defence of the Government of Malaysia and/or Malaysian law enforcement agencies (subject to clients not having arms and munitions sales to other parties).
- (b) Approval for all other Arms and Munitions Permitted Exemptions aside from (a) needs to be obtained through the BRCC.

Casinos and Gaming:

Permitted Exemptions may be approved by the relevant credit approving authority with notification to the Group Executive Committee (GEXCO) for:

- (a) Regulated gaming enterprises with stringent licensing requirements and a high level of regular ongoing government supervision; *and*
- (b) Meets at least one of the following criteria:
 - i. Major hotel, entertainment, leisure and cruise companies that are part of a pre-approved target market and involved in managing casinos as part of their overall business activities;
 - ii. Large well-capitalised corporations with a good degree of financial flexibility and with rigorous control measures in place which the Group may rely on and from which confirmation of these measures can be obtained / established with minimum amount of due diligence.

Permitted Exemptions for casino / gaming also apply to the promoters of the above-mentioned types of entities.

World Heritage Sites:

Permitted Exemptions may be approved by the Group Executive Committee (GEXCO) for activities where there is prior consensus with both the government authorities and UNESCO that such operations will not adversely affect the Outstanding Universal Value of the site.

Sustainability Sensitive Sector Position Statements

CIMB Group has committed to certain minimum expectations for clients operating in sectors identified as carrying elevated levels of sustainability risk. The purpose of these guidelines is to ensure clients are aligned with the Group's aspirations in progressing on sustainability and as a safeguard against the unmitigated environmental and social risk that could lead to negative reputational impact and financial impact in the long run if left unmanaged. This includes consideration of entity-level risks and transaction level risks as highlighted in the Enhanced Sustainability Due Diligence (ESDD) report.

Through the implementation of sector guides, CIMB intends to increase the capacity of client relationship managers in identifying risk factors linked to clients, while encouraging clients to adopt better environmental and social management practices to address these risks.

Basic Elements of CIMB Sector Guides

Each sector guide is based on three categories:

- **Prohibitions:** Describes activities that clients are not to engage in, and for which CIMB would not extend financing.
- **Requirements:** Sets out minimum standards for clients to comply to, failing which an action plan may be imposed.
- **Encouragement:** Industry best practices and international stakeholder expectations that clients are strongly encouraged to fulfil.

CIMB's philosophy with regard to clients with less robust environmental and social risk management practices is to continually engage and encourage improvements. This is done through discussions and by agreeing to time-bound action plans. As seen in cases of market exclusion, the total disengagement from high-risk clients results in further damage to the environment and people working in and impacted by these industries, as clients would seek out other sources of financing. However, in cases where there are critical and immediate risks arising, CIMB may choose to terminate a client relationship where possible.

CIMB recognises the economic importance of various industry sectors, especially in the context of development needs across our core regional presence in ASEAN. Accordingly, we are guided by Board-level oversight and commitments to sustainability, our commitment to the Principles for Responsible Banking (PRB), Net Zero Banking Alliance (NZBA), CIMB's Human Rights Policy aligning to international standards including the UN Guiding Principles of Businesses and Human Rights (UNGPR). We have also accounted for stakeholder requirements from institutional investors, regulators, central banks, governments, our customers, civil society and environmental groups on the application of our sustainability policies.

Key to implementing our sector guides is by striking a balance between achievability in consideration of local context and progress on sustainability within the regions we operate in. We strive to implement the highest standards for managing environmental and social risks while acknowledging that certain sectors have progressed further than others.

Each Sector Guide has been developed in accordance with industry best practices and guidance from relevant industry bodies. These references include the International Finance Corporation (IFC) Standards, Programme for Endorsement of Forest Certification (PEFC), Forest Stewardship Council (FSC) and

Roundtable for Sustainable Palm Oil (RSPO). As part of this approach, CIMB incorporates No Deforestation, No Peat, No Exploitation (NDPE) principles as a fundamental element of our biodiversity and nature risk management guidelines, particularly applied to high-priority sectors such as palm oil and forestry (including rubber). These sectors face elevated nature-related risks due to their potential impacts on deforestation, peatland conversion, biodiversity loss, ecosystem health, and carbon storage. By embedding these standards, CIMB aligns its financing practices with responsible land-use principles that protect high conservation value areas, safeguard critical ecosystem services such as water regulation and soil health and promote biodiversity conservation.

In addition, CIMB's Sector Guides are developed with reference to the Values Based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Sectoral Guides, ensuring that our commitment to sustainable practices is comprehensive and aligned with recognized frameworks.

The requirements set out in CIMB's Sector Guides are applicable across all countries of operation. The operational rollout of the requirements described is subject to localisation and customisation in accordance with local regulatory frameworks. However, key principles remain the same. This process takes place according to a phased implementation plan across our countries of operation.

Palm Oil

CIMB Group recognises the importance of the palm oil industry in the ASEAN region, as well as its importance as a globally-consumed edible oil. The sector guidance for palm oil identifies the planting of palm as a high sustainability risk business activity, largely due to potential linkages to deforestation, loss of biodiversity and potential human rights infringements, among others.

The palm oil industry employs millions of people across Malaysia and Indonesia and is among the top three sectors in both countries based on economic contribution. We are cognisant that growth in the sector has resulted in cases of negative environmental and social impacts and seek to minimise these impacts through positive engagement with clients in the industry. Through these engagements, we seek to encourage clients to adopt best practices and commit to stronger sustainability standards.

Key to ensuring sustainability in the palm oil sector is the adoption of No Deforestation, No Peat and No Exploitation (NDPE) commitments across the palm oil supply chain. We recognise deforestation risks may be linked to the development of new plantations that replace tropical forest landscapes. We also recognise that there are challenges in upholding labour rights across the palm oil supply chain from large companies to smallholder farmers.

Through the implementation of our sector guide for palm oil, we aim to align with recognised and credible certification schemes that set clear requirements and guidelines for companies in the sector to adhere to. The Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) schemes in Malaysia and Indonesia, respectively, are part of our requirements as these schemes allow for widespread adoption through government mandates. The Roundtable on Sustainable Palm Oil (RSPO) and International Sustainability & Carbon Certification (ISCC) schemes are also accepted in line with our sector guide as they ensure best practices for new and existing developments.

We seek to ensure that our clients are not involved in egregious exploitative practices related to labour and local communities. As such, we require compliance to all legal requirements on labour including child labour, minimum wage, anti-trafficking laws, and related requirements. Local and indigenous people's rights are expected to be adhered to through the implementation of credible certification schemes and adherence to legal requirements in countries of operations.

Smallholders are an essential part of the palm oil value chain, and as such are expected to participate in the economic benefits of the industry. We seek to ensure that smallholders are dealt with fairly and transparently through the implementation of the sector guide.

CIMB's Palm Oil Sector Guide applies to clients involved in palm plantations, as well as the manufacture of palm oil and its products.

Prohibitions:

CIMB prohibits the financing of clients with proof of involvement in the following activities:

- Illegal land conversion/ land use
- Use of fire for land clearing
- Breaches of national labour laws and human trafficking laws, including companies directly involved in child labour, human trafficking, or breaches of labour laws and related regulations
- Any activities as described in the CIMB Exclusion List

Requirements:

CIMB requires clients to have in place the following:

- A No Deforestation, No Peat, and No Exploitation (NDPE) policy
- Planted areas certified under the MSPO, ISPO, RSPO or ISCC certification schemes
- Ability to demonstrate respect for human rights, including:
 - Establishing a human rights policy and publicly committing to respect human rights
 - Conducting human rights due diligence to identify and mitigate human rights risks
 - Developing a grievance mechanism which respects anonymity and prohibits reprisals

Encouragement:

CIMB seeks to encourage clients to adopt better sustainability practices. These are highlighted below:

- **On governance:**
 - Establish traceability for external crop suppliers
 - Develop an assurance mechanisms to ensure that the crop is sourced legally
 - Publicly available policy aligned to NDPE commitments
 - Implement responsible palm oil sourcing policies and engage suppliers on NDPE
 - Sustainability implementation and action plans to be time-bound
- **On environmental risk:**
 - Monitor and report direct Greenhouse Gas (GHG) emissions and land use change emissions, and to have time-bound targets to reduce emissions
 - Adopt Best Management Practices (BMPs) for existing plantations on peat
 - Install methane capture or avoidance facilities for palm oil mills

- **On social risk:**
 - Address gender equality issues in relation to smallholders
 - Encourage smallholder participation in palm oil supply chains

Forestry

CIMB supports sustainable forestry and encourages clients to adopt international best practices in forestry to conserve High Conservation Value forest landscapes and protect biodiversity.

CIMB recognises that the forestry sector may create unintended sustainability impacts, including clearing of primary forests, loss of natural habitats for endangered species, mismanagement of forestry resources, impacts on water catchment areas, violations of local and indigenous community rights, and loss of forest resources. On the other hand, the contribution of the sector to economies across ASEAN is significant and CIMB seeks to ensure that local and indigenous communities are not disadvantaged by the extraction of forest resources.

CIMB's Forestry Sector Guide applies to clients involved in logging in natural forests and silviculture (forest plantations), including acacia plantations for pulp and paper industry, and rubber plantations.

Prohibitions:

CIMB prohibits the financing of clients with proof of involvement in the following activities:

- Exploration and production without licences from relevant authorities
- Breaches of national labour laws and human trafficking laws, including companies directly involved in child labour, human trafficking, or breaches of labour laws and related regulations
- Any activities as described in the CIMB Exclusion List.

Requirements:

CIMB requires clients to have in place the following:

- For logging in natural forests
 - Forest Managers to have a Forest Management Plan (FMP) or equivalent (as required by national law) within the Forest Management Unit (FMU) where the logging takes place
 - Forestry companies to operate by the FMP or equivalent
 - Forestry companies to conduct High Conservation Value (HCV) assessment and ensure that HCV are maintained or enhanced
- For operations in forest plantations
 - Implementation of a No Deforestation, No Peat, and No Exploitation (NDPE) policy
- All companies must be able to demonstrate respect for human rights, including:
 - Establishing a human rights policy and publicly committing to respect human rights
 - Conducting human rights due diligence to identify and mitigate human rights risks
 - Developing a grievance mechanism which respects anonymity and prohibits reprisals

Encouragement:

CIMB seeks to encourage clients to adopt better sustainability practices. These are highlighted below:

- Implementation of Forest Management Certifications through either the Forest Stewardship Council (FSC) or the Malaysian Timber Certification Scheme (MTCS) or equivalent
- Participation in national FSC or Programme for the Endorsement of Forest Certification (PEFC) multi-stakeholder governance systems (or equivalent forest management initiatives)

- **On governance:**
 - Publish evidence that operations and business practices comply with all applicable local and international laws and regulations (e.g. Forest Management Plan, EIA/SIA report)
 - Develop and implement an internal anti-corruption compliance programme

- **On environmental risk:**
 - Forest manager/ forest plantation managers should respect relevant international treaties, including the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and International Tropical Timber Agreement (ITTA)
 - For natural forests and forest plantations, forest managers/ forest plantation managers should maintain and/or enhance HCV areas
 - **CIMB strongly discourages** forest plantation conversion from High Carbon Stock (HCS) areas

- **On social risk:**
 - Companies to ensure their business operations meet key labour standards (i.e. International Labour Organization (ILO) Conventions)
 - Develop a strategy for community engagement, clarifying which stakeholders will be heard, how their views will be taken into account, and how competing interests will be balanced
 - Continuously engage with impacted communities such as to contribute to their social and economic development, provide opportunities for employment, training, and other services to local communities

Construction and Infrastructure

Construction, real estate and infrastructure development are important for the economic and social development of the ASEAN region where CIMB operates. However, we recognise that the sector is exposed to a number of environmental and social risks, both as impacts arising directly or indirectly from industrial activities, as well as impacts that this sector is exposed to, such as physical climate risks.

CIMB seeks to actively manage risks from construction, real estate and infrastructure development activities, especially those that are large-scale and may involve land use change. In addition, due to the large number of lower wage and migrant workers involved in this sector, human rights and labour issues are a key area of focus, in addition to safety and health. We seek to ensure that our clients are not involved in egregious exploitative practices related to labour and local communities. Local and indigenous people's rights, as well as those of communities impacted by development projects, are expected to be respected.

The risk management approach for construction and infrastructure seeks to ensure strong controls over environmental and social risks by our clients.

CIMB's construction and infrastructure sector guide applies to clients involved in the following activities:

- Construction of infrastructure including roads, highways, bridges, railways, utility projects, airports, harbours and other civil engineering projects
 - Construction of real estate developments
 - Demolition
 - Site preparation
-

Prohibitions:

CIMB prohibits the financing of clients with proof of involvement in the following activities:

- Illegal construction or development operations without licence/permit to operate
- Illegal logging
- Breaches of national labour laws and human trafficking laws, including companies directly involved in child labour, human trafficking, or breaches of labour laws and related regulations
- Any activities as described in the CIMB Exclusion List

Requirements:

CIMB requires clients to have in place the following for all new and ongoing developments:

- Environmental Impact Assessment (EIA) (as required by national law) and Social Impact Assessment (SIA) (as required by national law)
- Environmental Management Plan covering key risks, mitigation, and monitoring process
- Occupational Health and Safety (OHS) Management Plan covering key risks, mitigation and monitoring process
- Ability to demonstrate respect for human rights, including:
 - Establishing a human rights policy and publicly committing to respect human rights
 - Conducting human rights due diligence to identify and mitigate human rights risks
 - Developing a grievance mechanism which respects anonymity and prohibits reprisals

Encouragement:

CIMB seeks to encourage clients to adopt better sustainability practices. These are highlighted below:

- Achievement of at least the minimum sustainability ratings (i.e. Bronze, Certified) of applicable national standards/ guidelines for the construction of property/ infrastructure industry (such as Green Building Index, Green Mark, LEED, BREEAM)
- Public commitment in the form of policies on material environmental and social issues (such as health and safety, energy consumption and biodiversity loss)

Oil & Gas

CIMB recognises that the extraction, production and subsequent use of fossil fuels is a main cause of anthropogenic (man-made) carbon emissions globally, through the release of massive amounts of stored carbon into the atmosphere. However, the global economy is still heavily reliant on fossil fuels including for electricity generation, heating, transportation, and consumer products including plastics.

The oil and gas industry is exposed to environmental and social risks via potential direct and indirect impacts arising as a result of its industrial activities. At the same time, the sector is also exposed to risks and impacts from climate change, such as physical risks on operations and assets, as well as transition risks from developments such as carbon pricing, energy policies, and buyer preferences.

In the ASEAN region, fossil fuels currently dominate majority of primary energy supply, driving economic growth and employment. Despite increasing decarbonisation commitments, balancing energy security, affordability, and sustainability is crucial. The region remains heavily reliant on coal, with natural gas playing a key transitional role and supporting the stability of renewable energy sources like wind and solar. Our position aims to direct capital toward renewable and low-carbon fuels, reduce oil and gas emissions, and limit investment in new oil exploration and production.

CIMB seeks to ensure effective management of environmental and social risks in this sector, with particular focus on the upstream segment of oil and gas activities, and encourages clients to adopt internationally-recognised industry standards. We seek to minimise the impacts of oil and gas extraction through the implementation of environmental and social risk controls, such as health and safety controls.

CIMB's oil and gas sector guide applies to clients involved in the following activities:

- Businesses and/or projects in the upstream³ segment of the industry, and support activities for those businesses and/or projects
- Support activities in the upstream value chain of petroleum and natural gas production
- Pipelines for transportation of oil and gas

Note that CIMB's requirements for manufacturing of refined petroleum and gas products, and distribution of gaseous fuels through mains, are covered in the Manufacturing Sector Guide.

³ The International Energy Agency (IEA) defines "upstream" as exploration, appraisal (i.e. the process where wells are drilled so as to understand the potential of a hydrocarbon reservoir before commercial production), development and production activities pertaining to reserves of crude oil, natural gas liquids and condensates.

Prohibitions:

From 1 January 2025, no longer provide new dedicated financing for new oil field projects approved for development after 31 December 2021⁴

CIMB prohibits any form of asset-level or general corporate financing, including project financing, capital raising and bond investment, of clients with proof of involvement in the following activities:

- Exploration and production without licences from relevant authorities
- Breaches of national labour laws and human trafficking laws, including companies directly involved in child labour, human trafficking, or breaches of labour laws and related regulations
- Any activities as described in the CIMB Exclusion List

Requirements:

CIMB requires clients to have in place the following:

- Environmental Impact Assessment (EIA) or equivalent (as required by national law)
- Social Impact Assessment (SIA) or equivalent (as required by national law)
- Occupational Health and Safety (OHS) Management Plan covering key risks, mitigation and monitoring process
- Ability to demonstrate respect for human rights, including:
 - Establishing a human rights policy or publicly committing to respect human rights
 - Conducting human rights due diligence to identify and mitigate human rights risks
 - Developing a grievance mechanism which respects anonymity and prohibits reprisals

Encouragement:

CIMB seeks to encourage clients to adhere to international industry standards such as:

- International Finance Corporation (IFC) guidelines for Liquefied Natural Gas (LNG) Facilities, Offshore Oil and Gas Development, and Onshore Oil and Gas Development
- International Petroleum Industry Environmental Conservation Association (IPIECA) environmental and social performance guidelines

In addition, CIMB seeks to encourage clients to adopt better sustainability practices. These are highlighted below:

- **On governance:**
 - Development and implementation of an internal anti-corruption compliance programme
 - Publication of evidence that operations and business practices comply with all applicable local and international laws and regulations (e.g. EIA/SIA report, OHS Management Plan)
- **On environmental risk:**
 - Public commitment in the form of policies surrounding issues regarding climate change
 - Disclosure of chemical by-products that may arise from operations (e.g. fracking)

⁴ This prohibition applies to all forms of new oil field projects, including conventional and unconventional methods such as tar sands, shale, and projects located in the Arctic and ultra-deep-water (UDW), as well as expansions after 31 Dec 2021

- Reduction and eventual elimination of venting and routine flaring in accordance with the World Bank Zero Routine Flaring 2030 initiative
 - For Floating Production, Storage and Offloading (FPSO) and Floating Liquefied Natural Gas (FLNG) operations, management of marine risks in accordance with the International Association of Oil and Gas Producers' (IOGP) guidelines
- **On social risk:**
- Companies to ensure their business operations meet key labour standards i.e. International Labour Organization (ILO) Conventions
 - Development of a strategy for community engagement, clarifying which stakeholders will be heard, how their views will be taken into account, and how competing interests will be balanced
 - Achieve Free, Prior and Informed Consent (FPIC) for activities that may affect settlements of indigenous people

Coal

The coal power and mining sectors contribute to development in the ASEAN region. With sizeable coal reserves in various parts of the region, including Indonesia, coal serves as an accessible energy option for increasing access to electricity for millions of underserved communities. Additionally, metallurgical coal is a critical input for industrial processes such as steelmaking.

However, coal mining and the combustion of coal for power generation (i.e. thermal coal) are recognised as exceptionally large sources of global carbon emissions. Therefore, we are currently encouraging existing power sector clients to diversify their sources of energy towards cleaner ones.

As per Intergovernmental Panel on Climate Change (IPCC) recommendations, coal must be phased out in developed countries by 2030 and globally by 2040⁵, in order to limit climate change to 1.5 degrees Celsius by 2100.

Since 2021, CIMB has ceased to provide new financing or capital raising for greenfield coal-fired power plants and thermal coal mining (as well as expansion) regardless of country of operation. We are committed to phase out coal exposure from our portfolio by 2040 in line with 1.5°C-consistent climate scenarios.

CIMB's Coal Sector Guide applies to clients involved in the following activities:

- Mining of coal, including hard coal and lignite
- Shipping of coal

⁵ Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report on 1.5°C, IPCC, Sept 2019

- Coal contractors (clients who derive more than 25% combined direct revenue⁶ from thermal coal, or partly/ wholly owned by thermal coal mining entities, and of which more than 25% of their revenue is linked to their parent company)
- Coal infrastructure
- Coal-fired electric power generation

Note that CIMB's requirements for manufacturing of coal and its products are covered in the Manufacturing Sector Guide.

Prohibitions:

CIMB prohibits the financing of clients with proof of involvement in the following activities:

- Illegal coal mining operations without the necessary permits/ licenses to operate
- Breaches of national labour laws and human trafficking laws, including companies directly involved in child labour, human trafficking, or breaches of labour laws and related regulations
- Any activities as described in the CIMB Exclusion List

In line with CIMB's commitment to phase out thermal coal from our portfolio by 2040, the following prohibitions have been put in place.

- **Facility/Transaction/Use of Proceeds Level**

CIMB prohibits any form of asset-level or general corporate financing, including project financing, capital raising and bond investment, that is specified as being for:

- Greenfield⁷ and/or existing thermal coal mine(s) and CFPP project(s)
- Acquisition of thermal coal mines and / or CFPP(s);
- Expansion(s) of thermal coal mine(s);
- Expansion(s), retrofit(s) and/or modification(s)⁸ project(s) for CFPP(s);
- Greenfield coal infrastructure project(s)⁹ constructed predominantly for thermal coal mining activities; or
- Mountain Top Removal (MTR) mining, in any location

- **Client Level**

CIMB will not finance clients exceeding the following thresholds:

- New clients¹⁰ who derive more than 25% of combined direct revenue⁶ from thermal coal
- Existing clients¹¹:
 - Thermal coal mining clients who derive more than 50% combined direct revenue from thermal coal

⁶ The consolidated revenue derived from thermal coal mines and/or CFPP partially/wholly owned by the client and its subsidiaries. In the case where a guarantor is required, the revenue derived from thermal coal mines and/or CFPP partially/wholly owned by guarantor shall be included as part of direct revenue calculation of the obligor.

⁷ Greenfield herein refers to any thermal coal mines or CFPP projects that have yet to achieve their commercial operation date ("COD").

⁸ Any activities that involve increasing the capacity, updating technology, or making alterations to existing coal-fired power plants, including but not limited to adding new equipment, enhancing efficiency, or changing operational processes.

⁹ Infrastructure project(s) for physical facilities and systems involved in the extraction, processing, transportation, and storage of thermal coal. This includes processing plants, transportation networks (roads, railways, terminals, ports) and associated infrastructure like storage facilities and waste disposal sites.

¹⁰ Effective 1 January 2025.

¹¹ Effective 1 January 2030.

- Coal-fired electric power generation clients where more than 50% of their total power generation comes from thermal coal

These thresholds will be reduced over time. CIMB may still consider financing clients if the purpose of the financing is to pivot away from thermal coal or to support a low-carbon transition strategy.

Requirements:

CIMB requires clients to have in place the following:

- Comply fully with in-country environmental and social laws and regulations, and obtain all relevant permits and/or certifications required in the respective countries in which they operate
- Clients that operate existing thermal coal mines and/or CFPPs are to have established an Environmental Impact Assessment (EIA) (as required by national law), Environmental Management Plan (EMP) and/or Environmental Monitoring Plan (EMoP) covering key risks, mitigation, and monitoring process
- Time-bound diversification plan to demonstrate diversification efforts away from thermal coal towards less carbon-intensive business activities, or 1.5-degree pathway aligned transition plan consistent with CIMB's targets and commitments
- All clients are to demonstrate respect for human rights, including:
 - Establishing a human rights policy or publicly committing to respect human rights
 - Conducting human rights due diligence to identify and mitigate human rights risks
 - Developing a grievance mechanism which respects anonymity and prohibits reprisals
- Closure plans for mines
- Commitment to NDPE and demonstrate that their operations or projects do not threaten the outstanding universal value or special characteristics of UNESCO World Heritage sites, RAMSAR wetlands, high conservation value forests, or sites with critical natural habitats
- Occupational Health and Safety (OHS) Policy

Encouragement:

CIMB seeks to encourage clients to adopt better sustainability practices. These are highlighted below:

- **Coal Mining:**
 - Conduct an assessment to define whether the mining site is located in a Conflict Affected and/or High-Risk Area in accordance with the definition provided in the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas
 - Where topsoil is pre-stripped, to store the topsoil for future site rehabilitation activities
 - Apply dust suppression techniques (e.g. wetting down) for roads and work areas, optimise traffic patterns and reduce travel speeds
 - Prepare emergency response plans for exploration and production activities
 - Assess the hazards of the products of mining according to the UN Globally Harmonised System of Hazard Classification and Labelling or equivalent relevant regulatory systems, and communicate through safety data sheets and labelling as appropriate

- Strive to avoid resettlement. Where resettlement is unavoidable, it should be minimised, and appropriate measures taken to mitigate adverse impacts on displaced persons and host communities should be carefully planned, implemented, and compensated, with community participation
- **Coal-Fired Power Plants**
 - Prioritise the use of high-heat-content, low-ash, and low-sulfur coal
 - Install flue gas desulfurisation (FGD) for large boilers to prevent, minimise, and control SO₂ emissions
 - Adopt low NO_x burners and Selective Catalytic Reduction (SCR) to reduce NO_x emissions
 - Keep CO₂ emission intensity between 676-795 gCO₂/kWh-gross (based on ultra-supercritical plants that have 37.6 – 42.7% Net Plant Efficiency, Higher Heating Value)
 - Upgrade or retrofit low-efficiency plants with high-efficiency, low-emissions (HELE) technologies (e.g. ultra-supercritical technology, integrated gasification combined cycle)
- **Coal-Fired Power Generation**
 - Regularly monitor and disclose environmental and social data such as greenhouse gas emissions, water consumption, and occupational health and safety performance, in annual reports or sustainability reports. Where possible, data collection and disclosure should be made in accordance with internationally-recognised methodologies such as the GHG Protocol, and Task Force on Climate-related Financial Disclosures (TCFD) recommendations
 - Set clear targets for improving environmental and social performance, and in particular, greenhouse gas emissions

Mining and Quarrying

Mining and quarrying activities provide much of the raw materials that people and communities rely on in their daily lives, from copper for electric and electronic equipment and aluminium for cars, to rock phosphate for fertilisers and limestone for cement production.

However, mining and quarrying activities have the potential to cause significant irreversible negative environmental impacts including permanent change to landscapes, deforestation and subsequent loss of biodiversity, water and air pollution, and soil erosion amongst others. Mining also involves highly hazardous chemicals, and waste generated from mining activities could cause health concerns for workers and surrounding communities if not carefully managed.

CIMB also recognises the social risks involved in mining and quarrying activities, such as health and safety risks and displacement of impacted communities when the Free, Prior, and Informed Consent principles (FPIC) are not respected by companies. CIMB seeks to minimise the potential negative impacts of the mining and quarrying through encouraging the implementation of stringent environmental and social risk controls.

CIMB's Mining and Quarrying Sector Guide applies to clients involved in the following activities:

- Mining and extraction of gold, tin, iron ores, uranium and thorium ores, and other non-ferrous metal ores
- Quarrying of stone, sand and clay
- Mining of chemical and fertiliser materials
- Extraction of peat and salt
- Other mining and quarrying activities not elsewhere classified
- Support activities for mining and quarrying (excluding oil and gas)

Mining of coal is excluded from this sector guide, and is instead covered under the Coal Sector Guide.

Prohibitions:

CIMB prohibits the financing of clients with proof of involvement in the following activities:

- Mining or quarrying activities including raw materials processing without licences from relevant authorities
- Mining or quarrying activities that adversely affect UNESCO World Heritage Sites or national and/or international protected areas.
- Any activities as described in the CIMB Exclusion List

Requirements:

CIMB requires clients to have in place the following:

- Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) or equivalent (as required by national law)
- Environmental Management Plan (EMP) covering key risks, mitigation, and monitoring process
- Waste Management Plan covering safe handling, storage, and disposal of hazardous or radioactive waste materials. Where applicable, tailings management/storage facility, mine closure and decommissioning procedures are required
- Occupational Health and Safety (OHS) Management Plan covering key risks, mitigation and monitoring process
- Ability to demonstrate respect for human rights, including:
 - Establishing a human rights policy or publicly committing to respect human rights
 - Conducting human rights due diligence to identify and mitigate human rights risks
 - Developing a grievance mechanism which respects anonymity and prohibits reprisals

Encouragement:

CIMB seeks to encourage clients to adhere to international industry standards such as:

- Ensure conformity to the International Finance Corporation's (IFC's) Environmental, Health and Safety Guidelines for Mining.
- Adoption of International Council on Mining and Metals (ICMM) Mining Principles.

In addition, CIMB seeks to encourage clients to adopt better sustainability practices. These are highlighted below:

- **On governance:**
 - Public commitment in the form of policies surrounding issues regarding climate change including GHG emission reduction targets
 - Publication of evidence that operations and business practices comply with all applicable local and international laws and regulations (e.g. EIA/SIA report, OHS Management Plan)
 - A strategy for proactive community engagement (i.e. communication, education, participation & awareness (CEPA)), clarifying which stakeholders will be heard, how their views will be taken into account, and how competing interests will be balanced
- **On environmental risk:**
 - Progressive post-mining rehabilitation plans
 - Management plan on increasing the recovery, recycling and reuse of minerals, metals and mineral-based by-products
 - Disclosure of hazardous and/or radioactive waste and by-products that may arise from operations
 - **CIMB strongly discourages** mining and quarrying activities in areas of high biodiversity and/or High Conservation Value (HCV) and/or High Carbon Stock (HCS)
- **On social risk:**
 - Companies to ensure their business operations meet key labour standards (i.e. International Labour Organization (ILO) Conventions)

Manufacturing

The manufacturing sector relies on a broad spectrum of inputs of raw materials and natural resources such as water, energy, agricultural and mining products. In ASEAN, the manufacturing sector is a key economic contributor that provides a large number of employment opportunities to the population.

However, unsustainable sourcing of raw material and inefficient use of natural resources have the potential to damage our natural ecosystems, and irresponsible management of waste including releasing of toxic gas or untreated effluent can cause serious contamination and public health concerns. Social risks also arise when workers' rights are not respected, with some segments of the manufacturing sector facing allegations of using child labour and forced labour, and practicing debt bondage.

CIMB strives to mitigate the environmental and social risks in the manufacturing sector by defining minimum requirements while enabling transformation of our clients towards more sustainable practices such as adoption of circular economy practices, cleaner energy, and human rights policies.

CIMB's Manufacturing Sector Guide applies to clients involved in manufacturing of the following:

- Products of gold, tin, coal, and iron ore
- Automotive and transport related goods
- Construction materials, including cement and steel
- Products of agriculture, including pulp and paper and rubber products

- Semi-conductor and computer-related goods, electrical and electronic equipment
 - Machinery and equipment
 - Chemicals
 - Plastics
 - Textiles, apparel and leather goods
-

Prohibitions:

CIMB prohibits the financing of clients with proof of involvement in the following activities:

- Illegal manufacturing operations without the necessary permits/licences to operate
- Manufacturing of products in breach of national consumer protection laws
- Manufacturing and distributing items that breach national laws
- Breaches of national labour laws and human trafficking laws, including companies directly involved in child labour, human trafficking, or breaches of labour laws and related regulations
- Any activities as described in the CIMB Exclusion List

Requirements:

CIMB requires clients to have in place the following:

- Commitment towards abiding by national Environmental Quality Management and Protection laws and regulations (as required by national laws)
- Waste Management Plan covering the safe handling, storage and disposal of solid waste, as well as liquid and gaseous discharge, abiding by relevant regulations
- Occupational Health and Safety (OHS) Management Plan covering key risks, mitigation and monitoring processes.
- Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) on activities (as required by national laws)
- Ability to demonstrate respect for human rights, including:
 - Establishing a human rights policy or publicly committing to respect human rights
 - Conducting human rights due diligence to identify and mitigate human rights risks
 - Developing a grievance mechanism which respects anonymity and prohibits reprisals

Encouragement:

CIMB seeks to encourage clients to adhere to international industry standards such as:

- The International Finance Corporation's (IFC's) Environmental, Health, and Safety Guidelines for General Manufacturing and Chemicals

CIMB also seeks to encourage clients to adopt better sustainability practices. These are highlighted below:

- **On governance:**
 - Development and implementation of a Sustainable Sourcing Policy
 - Adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

- Publication of evidence that operations and business practices comply with all applicable local and international laws and regulations (e.g. EIA/SIA report, OHS Management Plan, Waste Management Plan, labour standards)
- **On environmental risk:**
 - Certification of products made for commercial distribution with credible eco-labels that comply with international standards, wherever possible (e.g. Forest Stewardship Council certification for paper products)
 - Implementation of an Environmental Management System which complies to global industry standards (e.g. ISO14001:2005)
 - For clients in carbon-intensive sectors, to commit to a carbon emission reduction plan in line with the National Determined Commitments and the Paris Agreement, with credible time-bound targets set (e.g. reduction in GHG for scope 1, 2 and 3, Net Zero commitment by a target year, etc.)
 - For clients in the manufacturing of chemicals, to phase out the manufacturing of chemicals listed in Annex A of the Stockholm Convention and Annex III of the Rotterdam Convention
 - For clients in the manufacturing of plastics, to implement an Extended Producer Responsibility (EPR) scheme covering all plastics manufactured
 - **CIMB strongly discourages** sourcing of raw materials, including pulp and paper, as well as metals and minerals, from areas of High Conservation Value (HCV) and/or High Carbon Stock (HCS)
- **On social risk:**
 - Established mechanisms to manage stakeholders and resolution of complaints, according to the UN's Guiding Principles on Business and Human Rights
 - Adherence to standards of the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work

Additional Resources and Disclosures

CIMB views its responsibility towards creating a more sustainable economy and future as a core priority, and has taken deliberate steps towards the implementation of its sustainability strategy and framework. As we mature in our sustainability thinking, we continue to deepen and broaden our implementation of sustainable finance safeguards and business strategies across the various countries we operate in.

In the near term, CIMB is working towards further disclosures of portfolio-level risks in line with the Net Zero Banking Alliance (NZBA) commitments. Currently, we are evaluating methodologies for assessing portfolio risk whilst committing to specific targets. For example, phasing out coal from our financing exposure by 2040 in line with the 1.5-degree Celsius global climate goal.

CIMB is also aligned with Task Force for Financial-related Disclosures (TCFD) recommendations to disclose climate-related financial information. We are currently exploring the potential impacts of climate change on our businesses and the sectors we are exposed to.

We continue to engage with sector experts and technical service providers in enhancing our risk identification and management processes. In parallel, we continue to evaluate opportunities to enable low-carbon growth through engagement with clients and with research bodies globally.

We aim to continually increase the level of transparency, disclosing more details on our targets for sustainability performance. We have identified key indicators to track our progress and strive to continue improving on various aspects, including reducing carbon emissions, water and waste, engagement with clients, among others.

For more information on this and related topics, please refer to CIMB's Annual Sustainability [Report](#) and the Sustainability section on our Group [website](#).

