

PIONEERING A GREENER TOMORROW



CIMB SETS NEW TARGET OF MOBILISING RM100 BILLION IN SUSTAINABLE FINANCE BY 2024, ACCELERATING ITS ASPIRATION TO BE AN ASEAN SUSTAINABILITY LEADER



The Summit highlighted a panel discussion on finance as the catalyst towards Net Zero featuring (L-R) Ecaterina Bigos, Chief Investment Officer, Core Investment for Asia ex-Japan, AXA Investment Managers, Deborah Ho, Country Head of Singapore & Head of Southeast Asia, BlackRock, Yuki Yasui, Managing Director of Asia Pacific (APAC) Network and Glasgow Financial Alliance for Net Zero (GFANZ), Tomohiro Ishikawa, Chief Regulatory Engagement Officer, Mitsubishi UFJ Financial Group (MUFG) moderated by Gurdip Singh Sidhu, Group Chief Operating & People Officer, CIMB Group.

In a world increasingly defined by environmental challenges and the need for sustainable solutions, CIMB Cooler Earth Sustainability Summit stands as a testament to the commitment of individuals, businesses and nations to create a more sustainable future. This flagship event, hosted by CIMB Group Holdings Bhd, aimed to connect businesses with key players from across the public and private sectors as well as civil society, to hear from global and regional experts and better understand the multitude of opportunities arising from the shift towards a greener economy and more equitable society. A curated series of keynote presentations, expert panel discussions, masterclasses, as well as experiential events across the ASEAN region, was planned to engage businesses on the many ways they can both drive and benefit from sustainable business adoption. The event hosted approximately 1,000 attendees in-person and more than 6,000 participants virtually.



The next seven years will be crucial for humanity as we come up against key milestones towards achieving global commitments."

— CIMB Group CEO Datuk Abdul Rahman Ahmad

The rapid growth in today's sustainability landscape signals the rising awareness of the importance of sustainability, raising hopes that it will translate into concrete actions to address the pressing issues society faces. One such urgent issue is climate change, with global temperatures reaching unprecedented levels. It requires a monumental effort to transition to net zero, which demands economic restructuring, technological breakthroughs and substantial financial investments. With the theme "Sustainability in Action: Opportunities for a Better Tomorrow", this year's summit encapsulates CIMB's recognition of its pivotal role in facilitating the transition to a more sustainable, equitable and inclusive economy in the journey to Net Zero. CIMB is dedicated to support its clients to excel in a rapidly shifting landscape, which brings with it a myriad of opportunities. CIMB's focus is to assist clients in identifying and seizing these opportunities amid the transition towards a low-carbon future. CIMB also aims to aid in navigating the complex terrain of ESG risks while adapting to the changing regulatory environment. CIMB's track record in sustainable finance has surpassed its expectations, with close to RM70 billion mobilised since 2021, leading the bank to increase its sustainable finance commitment to RM100 billion by 2024, triple the initial target of RM30 billion set in 2021.

CIMB, as the fifth-largest banking group in Asean, is leading by example. The bank has expanded its range of sustainable finance solutions with the recent launch of sustainability-linked financing for small and medium enterprises (SMEs) in Malaysia. It offers SMEs financing incentives for achieving greenhouse gas emission reduction targets, aligning with Bank Negara Malaysia's Low Carbon Transition Facility. CIMB has been proactively charting its emission reduction plans towards Net Zero by 2050, recently outlining its 2030 climate targets for its palm oil and power portfolios. The Group has formulated transition strategies for clients in high carbon emitting sectors. CIMB also supports retail customers in making sustainable choices by offering financial solutions to drive electric vehicle adoption and green home financing. Its wholesale banking franchise has facilitated more than RM10 billion in sustainability-linked bonds, sukuk and financing across the region. Through unwavering commitment to innovation and collective action, CIMB's Cooler Earth Sustainability Summit continues to pave the way for a more sustainable future.

MALAYSIA'S PATH TO SUSTAINABLE MANUFACTURING: NIMP 2030 AND THE PURSUIT OF ESG EXCELLENCE

Malaysia recognises the global challenges of climate change and the need for sustainable production, and is charting a course for a future that embraces the principles of environmental protection, social responsibility and corporate governance (ESG). The Covid-19 pandemic and trade conflicts have further underscored the importance of secure and resilient supply chains to meet investor demand. Minister of Investment, Trade and Industry Tengku Datuk Seri Zafrul Abdul Aziz said the New Industrial Master Plan 2030 (NIMP 2030) is a key initiative on Malaysia's path to industrial transformation, sustainability and economic inclusion. This is underscored by four main pillars: accelerating the transition to sustainable practices, shifting to renewable and clean energy, catalysing new green growth sectors and shifting to green infrastructure. Speaking at CIMB's Cooler Earth Sustainability Summit, Zafrul said sustainable manufacturing is at the core of NIMP 2030, which focuses on cost- and resource-efficient production processes that minimise environmental impact while improving worker, community and product safety. Implementation lies in mission-driven projects, each led by project champions carefully chosen to meet a set of rigorous criteria. Each project champion must fulfil six criteria, including having the stature to rally the whole industry and the necessary capacity to scale up to create impactful spillovers, particularly for small and medium enterprises (SMEs) to embrace ESG practices through frameworks like National Industry Environmental, Social and Governance framework (i-ESG). Champions must also deliver sectoral upgrading and innovation, either through moving up the value chain into higher value-added activities, producing more complex products and services, or utilising more sophisticated technology. Zafrul said, the search for projects under this mission is ongoing and contributions from government-linked investment companies (GLICs), government-linked companies (GLCs) and multinational corporations are being actively sought. In a closing address, CIMB Chairman Datuk Mohd Nasir Ahmad highlighted the importance of unity in the pursuit of a cooler and more sustainable earth, emphasising the need for key players from across the public and private sectors, as well as civil society to work together to make real, tangible impacts in the transition to a low carbon future. As an aspiring sustainability leader and responsible financial institution, CIMB continues to facilitate sustainable practices through its collaboration with clients to develop sustainable and innovative financial solutions. Datuk Mohd Nasir Ahmad further summarised the three key takeaways from the Summit: First of all, companies will need to endure fundamental changes in the face of climate change. These are not simply fleeting trends but long-term transformative shifts that will require companies to embrace greener business models and adopt sustainable technologies and practices in order to remain relevant. Secondly, innovation and differentiation will be pivotal for companies to navigate the sustainability transition landscape and gain a competitive advantage. Adapting to emerging sustainability trends is not just about mitigating risks, but proactively seeking opportunities for growth and innovation in areas like clean energy and sustainable product development. Finally, the importance of individual action cannot be understated. While global initiatives remain undeniably crucial, the contributions of each person holds the potential to create a substantial impact.



"We have seven years until 2030. I personally feel that this is a super-short duration. We have a brief window to not only capitalise on reshoring/friend-shoring initiatives, but also to catch up on our neighbours in terms of talent development and labour productivity."

— Zafrul



"The journey to a sustainable future begins with immediate and pragmatic actions. The choices we make and the actions we take today will directly affect and impact our long-term future."

— Mohd Nasir Ahmad

EMBRACING ESG IN A CHANGING LANDSCAPE

Integrating sustainability into a business is not just about ethical or environmental concerns but also a smart financial strategy. It can lead to lower cost of capital, greater investor appeal and improved financial performance in a rapidly changing business landscape. As sustainability solutions become more cost-effective, companies committed to sustainability are likely to have a competitive advantage in the marketplace. Khazanah Nasional Bhd managing director Datuk Amirul Feisal Wan Zahir says the use of technology and innovation is seen as a critical aspect of sustainability. Transformative change can be achieved with the technologies available today which are diverse, immense, and suited to the individual nature of the businesses themselves. Examples given include using ice to store energy and operating windmills in small rivers to generate electricity. These innovations have the potential to reduce energy costs and increase sustainability. He adds that in a Malaysian context, these opportunities are also in abundance, citing renewable energy powered industrial parks as a potential area to explore and develop, which would potentially elevate Malaysia's status as an ideal destination for international investments. Employees Provident Fund (EPF) CEO Datuk Seri Amir Hamzah Azizan stresses the importance of government-linked investment companies (GLICs) in guiding, encouraging and supporting the companies it invests in by having clear climate targets and a well-defined plan for transitioning to sustainability. EPF communicates its expectations to investee companies through its sustainable investment policy, launched almost a year and a half ago. This policy outlines EPF's approach to sustainable investing which charts its pathway to achieving a fully ESG compliant portfolio and a climate neutral portfolio by 2030 and 2050 respectively. While EPF is open to investing from companies that do not align with its sustainability goals, this is not the primary strategy of the provident fund. Divestment is seen as a last resort when all other efforts to promote change have been exhausted. EPF aims to provide companies with the chance to transition by facilitating the learning process and sharing knowledge through all possible avenues.

We are all doing the 'journey' at the same time in using sustainability as a catalyst to adopt innovation and technology with the end goal of creating value." — Feisal



Investee companies need to have a clear plan on how they are going to achieve their sustainability goals and move in that direction. Achieving the sustainability goals will not happen overnight, and we as GLICs need to facilitate this transition by increasing our engagement with them." — Amir



When asked about key learnings in their respective sustainability journeys, the CEOs contemplated the current state of corporate sustainability and how its future might look like given today's evolving landscape. Khazanah Nasional Bhd managing director Datuk Amirul Feisal Wan Zahir emphasises the urgency of transformation and says that it is crucial for us to understand the broader implications of our actions in fostering sustainable development. Meanwhile, EPF CEO Datuk Seri Amir Hamzah Azizan stresses that the "Social" element is often overshadowed under the ESG umbrella. He highlights the importance of us balancing all three ESG components moving forward to enable society to progress as one.

FOREVER SABAH PARTNERS WITH CIMB ISLAMIC AND BABAGON WATER CATCHMENT COMMUNITIES FOR THE PRESERVATION OF KOTA KINABALU'S WATER SOURCE

The regenerative conservation project is supported by CIMB Islamic's EcoSave Savings Account-i, the bank's first environmentally focused savings account



(From left) Philip Pius Gompodos, chair, payment of ecosystem services of Kampung Tampasak; Biniso Kassim, chair, payment of ecosystem services of Kampung Babagon Toki; Ahmad Shahriman Mohd Shariff, CEO of CIMB Islamic; Cynthia Ong, chief executive facilitator of Forever Sabah; and Jeffrey Abun, chair, payment of ecosystem services of Kampung Kolosunan, at a recent signing ceremony in Babagon Water Catchment in Kota Kinabalu, Sabah

As part of CIMB Group's flagship The Cooler Earth Sustainability Summit 2023, Forever Sabah together with CIMB Islamic organised an Experiential Learning event in Kampung Kolosunan. The event provided visitors and customers with a unique and immersive opportunity to experience the hidden gem of the Kota Babagon Water Catchment, whilst shedding light on the surrounding communities' dedication towards preserving its rich biodiversity and heritage. The specially curated experiential learning event also provided participants with hands-on experience in tree planting and forest conservation knowledge. Forever Sabah Bhd recently signed a letter of intent with CIMB Islamic Bank Bhd and the communities of Babagon Water Catchment. The partnership, which is entering its second phase, aims to support the restoration of the main water catchment area comprising communities from Kampung Kolosunan, Kampung Babagon Toki and Kampung Tampasak, with a total commitment of RM760,000. This regenerative conservation project is supported by CIMB Islamic's

EcoSave Savings Account-i (EcoSave i), the bank's first environment-focused savings account, through which the bank contributes 0.2% of the total average portfolio balance to environmental causes. Babagon Water Catchment is an integral aspect of Sabah as it provides about 57% of Kota Kinabalu's water supply, which impacts communities living in the area as well as the greater Kota Kinabalu population. Through the initiative, Forever Sabah and CIMB Islamic will work closely to ensure Babagon Water Catchment will be a catalyst to advance cost-effective and innovative methods in forest preservation and restoration, while contributing to alternative sources of income and empowering the local restoration economy. The Babagon Water Catchment project is intended to support the establishment of a framework for the Payment of Ecosystem Services (PES), a market-based instrument that incentivises communities that play a part in protecting and maintaining the environment. Sustainable business models, which include eco-tourism and agro-forestry will ensure that conservation

efforts remain economically self-sustaining in the long term. Together, these approaches exemplify a holistic and efficient strategy for land stewardship, benefiting both the environment and its communities. Cynthia Ong, chief executive facilitator of Forever Sabah, said: "It has been wonderful witnessing the results of the communities' hard work and traditional ecological knowledge as we review this first year of partnership with them. Syabas to the communities who are protecting this water source for hundreds of thousands of Sabahans." Ahmad Shahriman Mohd Shariff, CEO of CIMB Islamic, said: "We understand the critical importance of conserving and restoring the Babagon Water Catchment area as it serves as a vital ecosystem that provides clean water to the majority of residents in Kota Kinabalu. As a financial intermediary that is actively driving the ESG agenda, we want to ensure the ecosystem and its communities' livelihoods are sustainable for future generations to benefit as we create long-term positive impact for the environment and society.

CIMB'S STRATEGIC PARTNERSHIP WITH BURSA MALAYSIA TO FOSTER SUSTAINABLE CARBON CREDIT MARKETS

CIMB announced during The Cooler Earth Sustainability Summit 2023 that it had entered into a memorandum of collaboration (MoC) with Bursa Malaysia to leverage its BCX, which provides a streamlined platform for trading high-quality carbon credits through standardised contracts. This strategic partnership will feature collaborative capacity-building initiatives aimed at deepening the understanding of voluntary carbon markets (VCM) and improving CIMB's clients' accessibility to carbon credits. The partnership will also explore the potential to enable CIMB to effectively conduct carbon credit transactional services on behalf of its clients via the BCX platform. This includes the seamless execution of diverse transactional services such as the trading of carbon credits and the retirement of these credits.

CIMB has been supporting and actively catalysing and fostering the expansion of the voluntary carbon market by actively participating in the initial auction processes in March 2023, acquiring high-quality credits. CIMB also participated in the BCX for the purchase of carbon credits in September 2023. This time around, it supported the purchase of 500 units of carbon credits from Global Nature-Based Plus Carbon Contract (GNCP+), which features global nature-based GHG reduction projects with co-benefits in the Agriculture, Forestry and Other Land Use (AFOLU) sector. CIMB aims to fully utilise the 500 carbon credits to offset the emissions generated from The Cooler Earth Sustainability Summit, so that it can be a carbon-neutral event. As part of the bank's ambition to support the community involved in carbon project development and protection of biodiversity, it has made it a requirement that the carbon credits purchased must be of high quality and must meet rigorous standards to ensure they deliver real climate mitigation benefits as well as social and biodiversity benefits to local communities.

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NET ZERO presents unparalleled opportunities for businesses and economies. An estimated US\$1.5 trillion in cumulative investments is needed across ASEAN to fulfill its respective climate pledges. The public sector alone will not be able to meet these investment needs and banks can fill the gaps.

The Net Zero Banking Alliance (NZBA), a global coalition of 138 banks from 44 countries, is dedicated to align with the 1.5°C global warming limit by financing decarbonisation of the real economy. Many ASEAN banks have made public commitments to achieve Net Zero by 2050. However, getting to Net Zero requires interim targets and concrete plans to break down a long-term ambition into more specific and manageable constituents. Setting sector-specific Net Zero targets is a critical part of the process.

The last two years has seen Southeast Asia experience rapid, transformative changes in its approach to climate action. 8 out of 10 Southeast Asian nations have now committed to Net Zero and outlined their plans to deliver a "just transition" towards a Net Zero future. Banking regulators in particular have led the charge to address climate change and promote sustainable growth, spurring the financial sector into action.

Forging a credible pathway towards Net Zero 2050

One bank leading the way in ASEAN is CIMB. In 2021, CIMB was the first ASEAN bank to join NZBA, committing to achieving Net Zero greenhouse gas (GHG) Scope 1 & 2 emissions in its operations by 2030, and overall Net Zero by 2050 including Scope 3 financed emissions. The Group has since been charting its progress with significant milestones, including being the first emerging market bank globally to commit to exiting coal by 2040.

CIMB has recently become the first

LEADING THE CHARGE: CIMB'S SECTORAL TARGETS TOWARDS NET ZERO TRANSFORMATION

Summary of CIMB's 2030 targets towards Net Zero

Table with 5 columns: Target Metric, Palm Oil, Power, Cement, Thermal Coal Mining. Rows include Parts of the Value Chain Included, Client Emission Scopes Included, Asset Classes Included, Reference Scenario, Baseline, 2030 Target, Targeted Change, and Net Zero Plan.

bank globally to expand its 2030 targets towards Net Zero to cover its palm oil portfolio, and the first Malaysian bank to set a target for its power portfolio, following an earlier announcement of thermal coal mining and cement targets. It is also set to unveil its real estate and oil and gas sectoral targets by 2024.

These sectors are not only the most emis-

sions intensive, but also crucial economic pillars in ASEAN. The Group has now set interim targets for sectors that represent approximately half of the Group's financed emissions. Targets in these critical sectors address the most significant sources of GHG emissions within clients' value chains, empowering CIMB and its clients with the ability and accountability to create the greatest impact.

CIMB has set its targets according to scientifically robust methodologies and globally recognised reference scenarios. While pursuing ambitious decarbonisation targets, CIMB considers regional and local circumstances, starting points and readiness, as well as potential social and economic implications of these targets, to ensure the transition is achieved in an urgent, but equitable manner.

CIMB is fully vested in supporting our clients and other stakeholders to achieve an equitable transition to a Net Zero future, by proactively recalibrating our strategy, products and services to support decarbonisation, while safeguarding and bolstering the region's capability of meeting sustainable development and positive socio-economic outcomes. We believe that environmental sustainability goals must be pursued in tandem with social and economic imperatives such as food and energy security, as well as affordability."

— Luanne Sieh, Group Chief Sustainability Officer, CIMB Group

CIMB PIONEERS CLIMATE TARGET SETTING FOR ITS PALM OIL PORTFOLIO

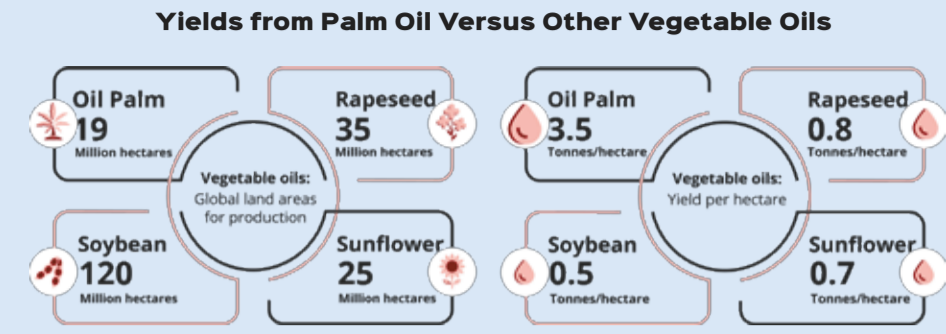
The Complex Dynamics of Palm Oil: Balancing Global Demand, Economic Impact, and Sustainability Efforts

Palm oil is one of the most widely consumed oils globally, as it is highly versatile and affordable and therefore, plays a key role in supporting global food security. The last two decades saw palm oil demand triple to meet global demand from the food, personal care, cosmetics and bioenergy industries, with no readily available substitutes at similar cost, scale and efficiency. The rapid growth in demand for palm oil has been a cause of deforestation and peatland clearance in the region, impacting important carbon sinks. Social issues such as land conflicts and workers' rights have also contributed to negative associations, and heightened scrutiny on the sector.

The industry has made significant strides in tackling these concerns in the last decade, with an acceleration in supportive regulations across the region. Indonesia and Malaysia have declared moratoriums on the use of primary forest and peatland for oil palm cultivation. National and international certification schemes that guide and verify sustainable palm oil production also serve as a crucial catalyst for change. Meanwhile, No Deforestation, No Peat and No Exploitation (NDPE) commitments have been adopted by a broad swathe of companies within the palm oil ecosystem. As a result, the rate of deforestation has slowed significantly to near record-low levels in Indonesia and Malaysia. In Indonesia, average primary forest loss over the last three years has reduced by 64% compared to 2015-2017. A similar trend is seen in Malaysia, with a 57% decline in deforestation. Additionally, the installation of biogas capture facilities in mills has helped to significantly reduce methane emissions from palm oil production.

Science-based Net Zero Target in Palm Oil

As the first bank globally to set targets for its palm oil portfolio, CIMB aims to become an agent for change by supporting its clients in the sector to transition to sustainable palm oil. To that end, CIMB aims to reduce emissions intensity of its palm

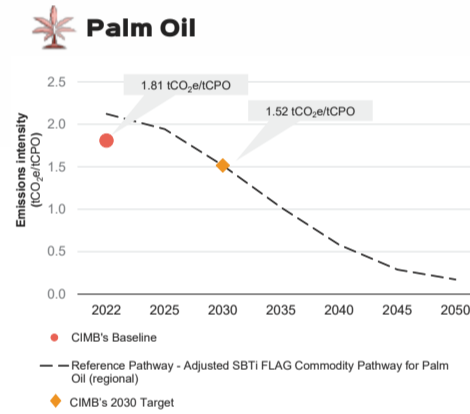


Palm oil is a major commodity in Southeast Asia

- >85% of global production originates from the region
Directly responsible for 3-5% of Indonesia and Malaysia's GDP
Directly employs >4 million people in plantations and benefits >12 million indirectly
40% of production involves >3 million smallholder farmers in rural areas relying on oil palm for their livelihoods

oil portfolio by 16% by 2030.

This target, guided by the Science-Based Targets Initiative (SBTi) Forests, Land and Agriculture (FLAG) Guidance, includes Scope 1 and 2 emissions from plantation and milling clients, along with Scope 3 upstream emissions linked to clients' sourcing of Fresh Fruit Bunches (FFB) from suppliers.



Supporting a Growing Global Demand/Population

CIMB has put in place an NDPE policy and sustainable palm oil certification requirements to encourage palm oil clients to adopt sustainable agricultural practices, while continuing to bring socioeconomic benefits to the markets and communities involved in its production. CIMB's current

CIMB's targets are impressive. As the first local or regional bank to take such bold steps, CIMB is poised to become a thought leader, setting the stage for the entire sector to progress. By establishing the framework for the sector, CIMB could influence industry players to take action, encompassing smallholders as well."

— Teoh Cheng Hai, Senior Advisor at Solidaridad Network Asia

financing requirements in this sector include: not converting high conservation value (HCV) forests and peatlands for oil palm cultivation, adopting sustainable land use planning, growing and milling practices, as well as safeguarding the protection of human rights of workers, smallholders and local communities. Additionally, to achieve its 2030 targets, CIMB aims to:

- Encourage and support its clients to pursue and maintain sustainable palm oil certifications
Increase financing for clients to:
Deliver on their sustainability commitments and reduce emissions intensity
Adopt sustainable practices (e.g. avoiding deforestation, improving traceability, and increasing yields through better agricultural practices)
Finance biogas plant installation, methane capture for bioenergy production, and other sustainable uses of agricultural waste
Ensure strict adherence to its own NDPE policy in credit decision-making
CIMB will also actively engage with regulators, standard setters, NGOs and other key actors in the palm oil ecosystem and seek out potential areas for collaboration.

Scaling Sustainable Palm Oil: Overcoming Challenges in Smallholder Inclusion

- To continue scaling the adoption of sustainable production practices and increasing the proportion of certified sustainable palm oil in total palm oil production, the Net Zero transition must bring onboard more than 3 million smallholders in the region.
Despite the potential to achieve higher yields and incomes for smallholders, challenges abound. These include complicated legal requirements, certification costs, and lack of sustainability-related expertise and training. This will require strong commitments and accelerated efforts from regulators, NGOs, and companies across the value chain, to support smallholders within their sphere of influence to adopt the right practices.

CIMB'S AMBITION TO ACCELERATE NET ZERO GOALS

Why is setting targets for these sectors integral to CIMB's Net Zero journey?

In line with our Net Zero commitment, it is important to translate the 2050 target into specific targets for each of our key client sectors and have interim targets that are nearer term. These interim targets will then form the anchor for our engagements and investments we make with our clients in helping them navigate their business and operations towards a greener pathway.

CIMB's most recent climate target for palm oil signifies our continuous commitment towards advocating for sustainable palm oil production. We recognise the crucial role that businesses of all sizes, including micro, small and medium enterprises (MSMEs) have in advancing progress on sustainable palm oil production in the region, and we intend to proactively enable our clients and small-scale growers to embrace certified sustainable palm oil standards. At the same time, the target CIMB has set for our power sector portfolio demonstrates our commitment to leverage on advancements in renewable energy technologies and supportive national schemes to drive decarbonisation.

What are some key considerations for CIMB to achieve these targets by 2030?

We have put in place a set of feasible and actionable plans to deliver on our Net Zero ambition, considering economic and technological feasibility, client readiness, policy

support, and potential adverse effects from the transition to be mitigated. Levers include:

Supporting clients and shaping our portfolio. We will engage and support clients in the following areas:

- Allocate financing to green and transition activities and increase exposure to clients and projects that align with our roadmap
Set emissions reduction or transition targets
Improve quality, consistency and coverage of climate-related disclosures
Provide capability building and technical assistance

Defining guardrails. We will also be guided and work with other stakeholders to:

- Adhere to the Group's sustainability principles and policies, and update policies in carbon intensive sectors to keep pace as markets, technology and regulatory environments mature
Engage supply chain actors and ecosystem enablers in CIMB's portfolios
Support policymakers and regulators including central banks
Monitor and communicate progress towards targets set, and setting further targets as 2030 approaches

What opportunities or challenges would clients face in this transition?

Navigating the heightened expectations of

their respective stakeholders amidst this global pursuit for a lower carbon world will inevitably be daunting for many of our clients. Different sectors and size of companies will face differing triggers or tipping points of realisation that adopting and complying with a climate transition path is crucial for their business viability.

For example, clients who are exporters to European Union (EU) countries are already beginning to feel the impending impact of the EU Carbon Border Adjustment Mechanism (CBAM).

Clients who are better prepared will stand to benefit tremendously. ASEAN has many inherent advantages and for clients who embrace the climate transition imperatives, they will be better equipped to plug into global supply chains as well as attract investments and capital.

What will this mean for the future of CIMB's business engagements?

We aim to solidify our position as a strategic partner to our clients, including those in hard-to-abate sectors, proactively helping them with the task of decarbonising the real economy.

The Group aims to encourage and facilitate greater ambition levels through active engagement and collaboration, and develop innovative products and services to catalyse and support our clients' transition activities and new low-carbon businesses.

We have multiple product programmes to incentivise and support our clients in their transition journey. For example, we

have sustainability-linked loans/financing for corporate and commercial clients, including SMEs, where they are rewarded with better rates if they meet certain sustainability KPIs.

Simultaneously, the Group has delineated clear boundaries to minimise negative impacts from the activities and clients that we finance, and to ensure that our actions are aligned with climate science that underpins the Net Zero transition.

How do CIMB's targets align with Malaysia's broader commitments to achieve Net Zero emissions by 2050?

In August 2023, the Malaysian Government launched its dual-phased National Energy Transition Roadmap (NETR), centered on outlining Malaysia's efforts towards attaining a sustainable and inclusive energy system. Successful rollout of the NETR is expected to attract investments of more than RM25 billion, create 23,000 jobs and reduce GHG emissions by more than 10,000 gigagrams of carbon dioxide equivalent every year.

On the other hand, the Malaysia Palm Oil Board (MPOB) will be introducing a new traceability platform to support around 500,000 smallholders in the country to meet the European Union Deforestation Regulation (EUDR).

In developing our Palm Oil and Power sectoral targets, we ensure that our targets and transition plans are fit for purpose and suitably ambitious by calibrating them against the broader policy, regulatory and technological environment.

CIMB FACILITATES ASEAN'S POWER SECTOR DECARBONISATION

The power sector is a major contributor to global GHG emissions, responsible for 40% of total emissions, largely due to burning of fossil fuels. Meanwhile, power demand is expected to double by 2050, propelled by an increase in the world's population and increase in consumption per capita, whilst transportation and heavy industrial activities become increasingly electrified.

For decades, the abundance of fossil fuels in Southeast Asia has enabled stable and affordable power generation, driving economic growth in the region. Southeast Asia's current power grid is still largely dependent on fossil fuels, including thermal coal, the most carbon-intensive among all fossil fuels. Power generation in the region nearly tripled in the last two decades. The region is home to some of the youngest fossil fuel power plants in the world, thus early retirement would have much higher economic costs than in other parts of the world.

With a diverse range of renewables across the region, ASEAN is well positioned to integrate a significant share of renewable energy into its power generation mix. Renewable energy from sources such as wind, solar, and hydro power are relatively mature, scalable and affordable, and deployment costs continue to fall, making them among the cheapest sources of energy. Across many Southeast Asian markets, supportive commitments and energy policies have ramped

up in the recent 2-3 years.

A just transition in Southeast Asia will require meeting new energy demand via renewable power generation, while safeguarding energy affordability and security, socioeconomic development and protecting potentially impacted communities in the largely emerging economies in the region.

Pursuing a just transition in the power sector

Despite its rapid growth, per capita annual electricity use in Southeast Asia stands at only one-fifth of the per capita electricity consumption of OECD countries. As a developing region, the need for power is expected to grow by 50% in the next decade, providing ample opportunities to pursue cleaner forms of energy as new capacity is being put in place.

According to the International Energy Agency (IEA), the power sector must achieve Net Zero emissions by 2040 due to its pivotal role in lowering emissions in other sectors such as transport, buildings and industries.

CIMB has set a target for its power generation portfolio in line with the IEAs 2023 Net Zero Emissions by 2050 reference scenario, targeting to reduce the emissions intensity of its power portfolio by 38% overall by 2030.

As the first Malaysian bank to commit to a Net Zero target for its power portfolio, CIMB strives to support its clients in their decarbonisation journey. This will reduce Scope 2 emissions for other sectors in the real econ-

omy, enabling them to stay competitive by minimising the impact of domestic carbon taxes and global carbon border adjustment mechanisms, as well as to appeal to customers looking to decarbonise their supply chains.

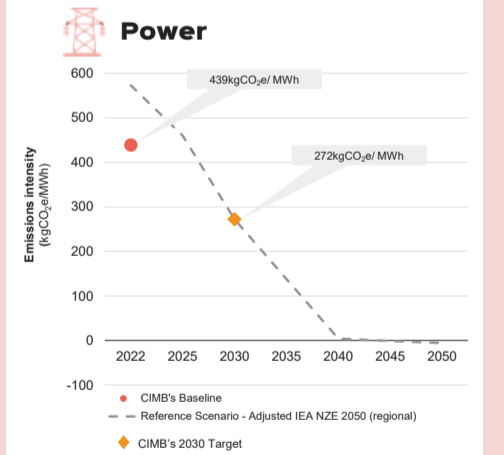
CIMB's strategies to drive Net Zero transformation in the power sector

CIMB is optimistic on the potential for change in the region and will work in concerted effort with its power generation clients to further develop and accelerate their transition plans, while championing the need for a transition that is equitable and just. CIMB aims to:

- Adhere to its existing commitments to prohibit new financing for greenfield and expansionary thermal coal mining and coal-fired power plants

CIMB's Net Zero target for the power sector demonstrates leadership from the banking sector and provides critical support for the national goal of achieving a 70% share of renewable energy installed capacity by 2050. It demonstrates CIMB's strong commitment to proactively engage in NETR. By collaborating with identified champions in NETR, CIMB can drive positive changes and offer financial services to support them."

— Sustainable Energy Development Authority (SEDA) Malaysia



- Progressively tighten its coal sector guide, as national and client commitments become more ambitious
Work closely with clients with high dependency on coal for power generation, to facilitate and accelerate their transition to renewable and low carbon sources
Progressively shift its portfolio towards financing renewable energy
Finance enabling technologies such as carbon capture, usage and storage (CCUS) which is a potentially significant lever after 2030.

To access comprehensive information about CIMB's target-setting methodologies and transition strategies for its palm oil, power, coal and cement sectors, please visit https://www.cimb.com/en/sustainability/sustainability-cimb.html