2020

CIMB MAKES PROGRESS IN ITS JOURNEY TOWARDS A LOW CARBON ECONOMY

08 December 2020

The Group announces its Coal Sector Guide as a continuation of its sustainability journey

Kuala Lumpur: CIMB Group Holdings Berhad ("CIMB" or "the Group") has strengthened its commitments towards sustainable finance and climate action through positive impact finance and the introduction of its first Coal Sector Guide.

The Coal Sector Guide ("the Guide") is the latest milestone in CIMB's sustainability journey. In development since November 2019, with extensive benchmarking and engagement with business units across the region and in consultation with NGOs, the Guide sets out CIMB's commitment to phase out coal from its portfolio by 2040, as part of its effort to align with the 1.5 degree Celsius goal of the Paris Climate Agreement.

Effective in phases next year, and applicable across the Group in all its operating markets, the Guide prohibits asset-level or general corporate financing for new thermal coal mines and coal-fired power plants, as well as expansions, except where there is an existing commitment. In addition, it sets out the expectation for companies such as electricity utilities that rely on coal as a fuel source to provide a diversification strategy to reduce the share of coal in their power mix.

With the issuance of the Guide, CIMB becomes the first banking group in Malaysia and the first in Southeast Asia to commit to phasing out coal from its portfolio by 2040. This move is in support of Bank Negara Malaysia's agenda to build climate resilience within the Malaysian financial sector and its work around the Joint Committee on Climate Change ("JC3"), the Value-based Intermediation Financing and Investment Impact Assessment Framework ("VBIAF") and the forthcoming Climate Change and Principles-based Taxonomy.

Datuk Mohd Nasir Ahmad, Chairman of CIMB Group, said, "We are pleased to announce our Coal Sector Guide as the next major milestone in our sustainability journey, and part of our commitment to intensify our efforts on two fronts: grow our positive impact finance and enable a just transition to a climate-compatible future."

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towards announcing more sustainability-related measures, in particular with respect to our positive impact financing target, as we continue to address climate change and the other pressing issues facing society today," he added.

Earlier this year, CIMB was one of the first banks in Malaysia to announce its sustainability-linked loan ("SLL") offerings, having committed RM3 billion to SLLs for corporate borrowers through 2024. CIMB has been proactively presenting the SLL offering to clients, and to date up to RM1 billion of the total allocation has been accepted by clients. Under the SLL regime, CIMB works with its borrowers to set and accomplish ambitious Sustainability Performance Targets ("SPTs") using interest rebates as a form of incentive. Both its first two SLLs are imbued with climate-related SPTs, a testament to CIMB's commitment to mobilise stronger climate action among its borrowers in ASEAN.

In 2019, CIMB instituted its first Group Sustainable Financing Policy ("the Policy") as a framework to manage its exposure to sustainability risks. It has since enhanced the Policy with various sector guides for High Sustainability Risk Sectors like palm oil, forestry, oil and gas, and construction and real estate. CIMB requires High Sustainability Risk Sector clients to meet its environmental and social standards at the point of acquiring financing, or, failing which, to commit to time-bound and measurable sustainability performance improvement plans to continue their credit facilities and relationship with CIMB.

Datuk Mohd Nasir said, "We are aware that our role as a financial intermediary puts us in a critical position, as our financing decisions and financial offerings can help to shape the long term trajectory of economic development. The release of the Guide is a milestone that represents our continuous progress on the sustainable financing front. Our sector guides and positive impact finance agenda help us to take a more holistic approach to decision-making, incorporating economic, environmental and social ("EES") considerations. This will also support governments across the region in their efforts to increase the share of renewable energy in their energy sector blueprints, taking into account each country's specific needs and developmental agenda."

"The advancement of sustainability principles is complex and must be seen as a journey, one that CIMB started only two years ago. It is now one of the strategic themes of our Forward23+ plan where we aim to be a purpose-driven organisation that is guided by sustainability principles," he added.

CIMB will intensify its efforts to support and incentivise existing and new clients, including those that are operating in the brown sectors, to transition towards a low-carbon, climate-resilient economy. CIMB will also continue to focus on its engagements with energy clients, governments, and other stakeholders, to support their energy and electrification plans, with a focus on cleaner forms of energy, through our financial services.

Statement by Institute for Energy Economics and Financial Analysis ("IEEFA"), to be attributed to Tim Buckley, Director of Energy Finance Studies, IEEFA:
"CIMB's announcement today is a very important milestone in the global efforts to align with the Paris Agreement and manage the growing financial risks of climate change. CIMB represents the first globally significant financial institution in the developing world to commit to a coal exit strategy as a core part of

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sustainable growth. All countries need leaders to focus on this global issue, to both limit the impact of more frequent, more extreme weather events as well as ensure energy security and economic resilience by focussing on low emissions industries of the future. CIMB today joins a growing list of global financial leaders proactively addressing the financial risks of climate change."

Statement by WWF Malaysia, to be attributed to Sophia Lim, CEO and Executive Director, WWF-Malaysia:
"It is encouraging to see financial policymakers and regulators being proactive in setting the direction for sustainable finance in the country. Banks are progressively increasing their commitments to global standards and initiatives such as the UN Principles for Responsible Banking and this is definitely a good sign for sustainability. It is also reassuring to know that science-based civil societies are playing instrumental roles in advocating for best practices in sustainable finance.

"We hope that more financial institutions and institutional investors in Malaysia will step up efforts and commitment to transform our country towards becoming a 'Sustainability First Nation'."

2020 CIMB makes progress in its journey towards a low carbon economy

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