



Journey to Financing a SUSTAINABLE FUTURE

Asia Pacific economies need to decarbonise six times faster than they did in 2022, in order to limit global warming to 1.5 by 2050, and it is estimated that over USD5 trillion annually will be required to achieve this. Although much focus and effort has been placed on green financing, such as for renewable energy and electric vehicles, the flow of capital into transitioning carbon intensive sectors such as power, steel, agriculture, transport, and cement play critical role, and is gaining attention.

In 2020, CIMB became the first bank in Malaysia and amongst emerging markets globally to announce its commitment to exit coal by 2040. In 2021, CIMB announced its commitment to be carbon neutral for Scope 1 and 2 emissions by 2030, and Net Zero by 2050 including financed emissions and became the first ASEAN bank to join the Net Zero Banking Alliance. Since then, it has been at the forefront of corporate sustainability and sustainable finance in Malaysia, demonstrating concrete actions taken to be transparent and accountable to these commitments.

Luanne Sieh, Group Chief Sustainability Officer at CIMB, provides insights into the bank's progress toward these commitments, addressing emerging issues and tackling challenges in achieving these targets.

What was the driver to be at the forefront of Net Zero journey in Malaysia?

Our transformation is driven by our vision of a future where economic development, social progress and environmental sustainability converge. However, at the current pace of climate change, ASEAN could see a 37% decline in GDP by 2048, further exacerbating social inequalities. This highlights the critical need to accelerate decarbonisation efforts, while improving the understanding of the potential impacts of climate change on economies and communities, and preparing for the onslaught of extreme weather events, floods and declining agricultural yields.

How have you progressed on your Net Zero commitments?

After making our Net Zero by 2050 commitment, in 2022 we established the baseline for our Scope 3 financed emissions—these are emissions that CIMB is accountable for as a result of our financing and investments. To put this

into perspective, our Scope 3 financed emissions account for more than 99% of our total emissions, with Scope 1 and 2 and remaining Scope 3 emissions collectively making up less than 1% of emissions, similar to other companies in the financial services sector.

We were the first bank in Malaysia and the second in ASEAN to announce 2030 targets for Thermal Coal Mining and Cement, as medium-term, actionable milestones to Net Zero by 2050.

In 2023, we published our Net Zero whitepaper, which included 1.5 degree aligned 2030 targets for our Palm Oil and Power portfolios, making us the first bank globally to set Paris-aligned targets for Palm Oil and the first in Malaysia for Power.

In 2024, we completed our 2030 climate target-setting exercise for material carbon-intensive sectors when we published our Net Zero sector pathways for Oil & Gas and Real Estate. The six sectors are key material sectors to CIMB in terms of financed emissions and financial exposures, and are expected to be the catalyst for decarbonisation in other sectors. Overall, 60% of our total financed emissions and 47% of our total financing and investment portfolios are now aligned to a 1.5 degree pathway.

We recently joined leading players such as Citi, Nordea, Westpac and MUFG, as one of 14 banks on the Net Zero Banking Alliance's Steering Group, which oversees decision-making and strategy, as well as guides the technical work and collective progress of the Alliance.

Are you on track to meet these targets?

We have been making steady progress toward achieving our announced targets. In thermal coal mining, we reduced our portfolio exposure to 63% from the 2021 baseline, ahead of our targeted trajectory. In the cement sector, we have decreased emissions intensity from 0.72 to 0.64 tCO₂e/t cement, bringing us closer to the sector's reference pathway benchmark. In line with our commitment to transparency, we plan to begin reporting progress against sector targets the year after they are announced, and to explain key reasons for the changing emissions, regardless of whether they are a result of our actions or other factors.

In July 2024, we enhanced our Coal Sector Policy to accelerate our transition away from coal and reinforce our initial commitment. From 1 January 2025, we will not finance new clients that generate 25% or more of their combined direct revenue from thermal coal. For existing thermal coal and coal-fired power plants (CFPPs) clients, the threshold is set at more than 50% of combined direct revenue from thermal coal and coal power generation, respectively, effective from 1 January 2030. We also enhanced our prohibition criteria for this sector, as well as for the oil and gas sector, where we will no longer finance new oil fields from 2025 onward.



Head of Consumer ESG, Nicholas Mok (right), Group Chief Sustainability Officer, Luanne Sieh (left) and CIMB Retail and Enterprise Distribution Head Loh Chang Heng (second from left) with the recipients of Top Green Home Financed with CIMB Award

What are the challenges faced in meeting the Net Zero agenda?

There are various challenges at different levels in meeting the Net Zero agenda. One of our key challenges is the lack of carbon emission disclosures by companies in Malaysia and many other ASEAN countries. We foresee this improving as regulatory requirements, such as the National Sustainability Reporting Framework and IFRS, come into place. Other challenges include the perception that sustainability investments are too expensive or unnecessary for smaller companies, without realising the potential long-term cost savings as well as opportunities that sustainability offers, such as improved risk management, operational and supply chain resilience, as well as talent attraction and retention.

Financing the transition requires an ecosystem approach. We need different stakeholders, such as the government and

regulators, businesses, investors, financial institutions, and NGOs, to collaborate and be aligned, in order to drive economy-wide adoption and acceleration. We need both “carrot and stick” approaches from government and regulators to guide investors and businesses on the policy direction. For example, one of the things that would help is the country’s direction on carbon tax and carbon pricing. This will help businesses to seriously consider the environmental and social costs of carbon emissions, which are currently not factored into their operations.

HOW is CIMB supporting SMEs to decarbonise their operations?

Small and Medium Enterprises (SMEs) are the engines of the economy, and a key focus area to help accelerate and drive sustainability. We recognise that SMEs face gaps in sustainability knowledge, management buy-in, and financial capacity to meet emerging regulations that are driving low carbon and socially responsible supply chains—all of which put SMEs at risk of being excluded from supply chains.

Through our GreenBizReady™ Programme, we aim to help accelerate SMEs along their sustainability journey by leveraging more than 20 solution partners that offer financing solutions, incentives, service provider access, business matching with industry leaders and government agencies, training, capacity building, certification, and advisory services. We also incentivise SMEs in Malaysia and Singapore through Sustainability-Linked Financing, which includes a carbon calculation and verification tool to allow them to document and demonstrate their performance for their customers.



(L-R) Luanne Sieh, Group Chief Sustainability Officer, Ahmad Shazli Kamarulzaman, Co-Chief Executive Officer of Group Commercial and Transaction Banking, CIMB Group, Rizal bin Dato’ Nainy, Chief Executive Officer of SME Corp. Malaysia, and Lawrence Loh, Co-Chief Executive Officer of Group Commercial and Transaction Banking, CIMB Group at the launch of the ESG Simplified Playbook for SMEs and onboarding of SME Corp. Malaysia to GreenBizReady™

HOW are you transforming team CIMB to support meeting these commitments?

We are deeply committed to embedding sustainability into how we operate as a bank, making CIMB an exciting place for sustainability talent. Across the Group, we are identifying sustainability specialists and champions to help us drive opportunities and manage sustainability risks. We are also developing a Sustainability Academy to cultivate bankers who share our vision for sustainable finance.

What can we expect in the coming years?

Sustainability will continue to be a core part of the bank’s 2030 strategy, which will be launched next year. We are actively implementing strategic measures into existing business and risk processes, a comprehensive effort that we anticipate will span over the next two to three years, requiring extensive coordination across the bank.

Through The Cooler Earth Series, we continue to raise awareness on social and environmental risks and opportunities within the context of shaping a sustainable economy. In addition to addressing physical and transition risk from the onset of climate change, we foresee growing focus on emerging risks such as human rights and biodiversity, which will require businesses to integrate into their operations.

Collaboration will be a key lever in the coming years, and we are working closely with our clients and solution partners to drive impactful change and real economy decarbonisation while safeguarding a just transition.



Key Milestones in CIMB'S NET ZERO JOURNEY

2019

Completed initial Scope 1 & 2 GHG baseline

2020

One of the first companies in Malaysia to launch Internal Carbon Pricing mechanism

First bank in Malaysia and emerging market globally to commit to phasing out coal portfolio by 2040

2021

First ASEAN bank to join the Net Zero Banking Alliance

Committed to Net Zero Scope 1 & 2 GHG emissions by 2030, and overall Net Zero by 2050 (including Scope 3 financed emissions)

2022

Established Scope 3 financed emissions baseline

First bank in Malaysia and second ASEAN to announce 2030 targets for Thermal Coal Mining and Cement

2023

Released comprehensive whitepaper, outlining decarbonisation targets for Palm Oil and Power portfolios

2024

First Malaysian bank to complete 2030 decarbonisation target setting for all major high-emitting sectors, including Oil & Gas and Real Estate

Committed to no new financing of new oil fields starting 2025