

Statement on Biodiversity and Nature 2024

According to the World Economic Forum, a staggering \$44 trillion of economic value generation—over half the world's total GDP—is moderately or highly dependent on nature and its services.¹ This makes it evident that healthy ecosystems are crucial for long-term financial stability. The interconnectedness of climate and nature is undeniable. Banks must proactively identify and mitigate nature-related risks while also seizing opportunities to support biodiversity. A just transition is essential for ensuring equitable and inclusive growth.

As a leading universal banking group in ASEAN, CIMB is committed to building a sustainable organization that benefits both customers and the planet. Southeast Asia is a global hotspot of biodiversity, renowned for its vast and diverse coral reefs, rainforests, mangrove ecosystems, and unique wildlife. This region is home to a staggering variety of species, many of which are found nowhere else on Earth. We recognize the critical role of biodiversity in maintaining healthy ecosystems and supporting human well-being. To contribute to its protection, conservation, and restoration, CIMB is committed to safeguarding and enhancing biodiversity and ecosystem integrity across our operations and value chain. We understand the threats posed by the overexploitation of natural resources and aim to play a positive role in their preservation.

Failing to consider nature-related risks in our financing could expose us to reputational damage and significant financial risks, including physical, transition, and systemic risks. Investing in measures to protect the biodiversity of Southeast Asia's forests and seas could produce benefits valued at more than \$2.19 trillion a year - while slowing down climate change.² Thus, CIMB's long-term approach involves managing potential negative impacts while delivering products and services that positively impact the environment and society. This balanced approach ensures both risk management and positive societal contributions.

However, developing a strategic position and approach to Biodiversity and Nature issues require careful consideration. While we aim to establish ambitious targets, it is essential to ensure that they are feasible and capable of driving meaningful change. The scientific understanding of these issues is still developing. Data limitations, including the challenges of accurately measuring the impacts of both our operations and our clients' actions, as well as the effectiveness of our overall mitigation and resilience efforts, hinder progress. Nonetheless, we are working towards enhancing our understanding and addressing these challenges.

**CIMB'S approach to Sustainable Finance is governed by two main principles –
Maximising Positive Impact and Minimising Harm, thus:**

Our Goal

Enable, encourage and engage our clients while steering our operations towards preventing, mitigating and reversing nature loss.

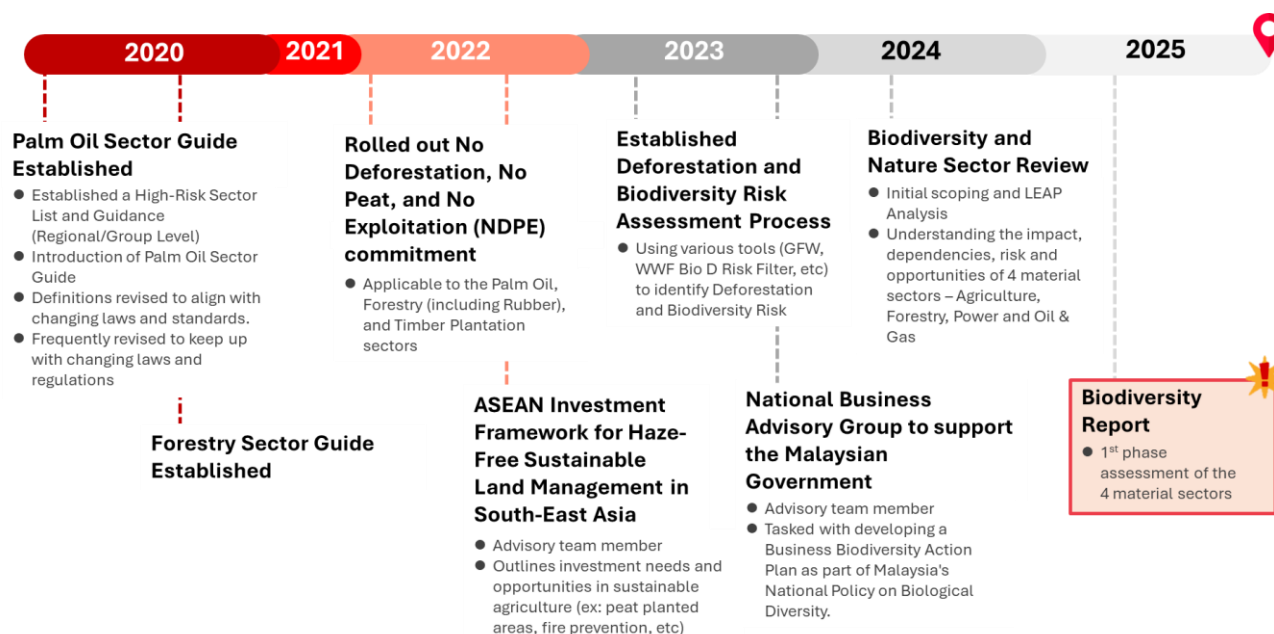
¹ <https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/>

² [https://www.weforum.org/agenda/2022/07/southeast-asia-biodiversity-nature-economy/#:~:text=Investing%20in%20measures%20to%20protect,of%20Sciences%20Malaysia%20\(ASM\).](https://www.weforum.org/agenda/2022/07/southeast-asia-biodiversity-nature-economy/#:~:text=Investing%20in%20measures%20to%20protect,of%20Sciences%20Malaysia%20(ASM).)

Our Objectives

1. **Mitigate Nature-Related Risks:** Identify, assess, and manage nature-related risks across CIMB's operations and our customers, including physical, transition, and systemic risks.
2. **Align Portfolio with Nature-Positive Goals:** Steer CIMB's financing towards activities that contribute to the prevention, mitigation, and reversal of nature loss, while promoting biodiversity and ecosystem balance and overall health.
3. **Promote a Just Transition:** Ensure that CIMB's efforts to protect biodiversity and address climate change are equitable and inclusive, benefiting all stakeholders in ASEAN, including indigenous populations.
4. **Engage with Clients and Stakeholders:** Collaborate with clients and other stakeholders to promote nature-positive practices, support sustainable initiatives, and foster a shared commitment to biodiversity conservation.
5. **Integrate Biodiversity Considerations:** Embed nature and biodiversity considerations into CIMB's sectoral policies, risk management frameworks, and decision-making processes to ensure that environmental impacts are minimized and positive contributions are maximized.

Our current approach to nature and biodiversity



Sustainability Sensitive Sector Guides

CIMB is committed to integrating Environmental, Economic, and Social (EES) considerations into our risk assessment and strategies to ensure a positive impact on stakeholders and the environment in our non-retail financing and capital raising transactions. To address nature and biodiversity risks, we have embedded Biodiversity and Nature considerations in our [Sustainability Sensitive Sector List and Guidance document](#). This document:

- Clearly articulate our definition of Sustainability Sensitive Sectors (previously known as High Sustainability Risk Sectors) for certain sectors – Coal, Palm Oil, Forestry, Manufacturing Construction and Infrastructure, Oil & Gas and Mining and Quarrying

- Provide a reference list of Sustainability Sensitive Sectors
- Sector guidance to aid CIMB's decision-making process

By focusing on the sectors highlighted above CIMB can effectively:

- Identify and mitigate risks: Identify and mitigate potential negative impacts on biodiversity and ecosystems within our operations and investments.
- Support conservation: Promote initiatives that protect and restore biodiversity, such as nature-based solutions and conservation projects.
- Encourage sustainable practices: Foster sustainable practices among our clients and partners to minimize their environmental footprint and contribute to biodiversity conservation.

No Deforestation, No Peat, and No Exploitation (NDPE) Policy

In 2022, we rolled out our No Deforestation, No Peat, and No Exploitation (NDPE) commitment to the palm oil, forestry and timber plantation sectors in larger markets, while smaller markets adopted the policy in 2023.

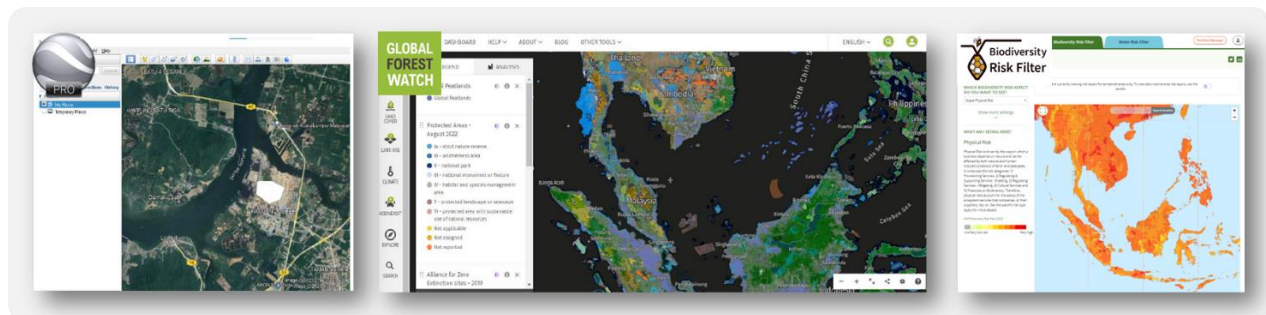
Under our NDPE policy, we will not finance or facilitate capital raising for companies that:

- Are directly involved in the new conversion of High Conservation Value (HCV) areas;
- Are directly involved in the new conversion on peat;
- Lack legal rights and a policy/commitment on respecting free, prior, and informed consent of indigenous and local communities; or
- Lack policy/commitment on no exploitation of workers are respecting labor rights.

We also strongly encourage processors, such as palm oil mills, to implement traceability systems for external crop suppliers, construct an assurance method to guarantee crops are lawfully sourced, and engage with external suppliers on their own NDPE standards.

Deforestation and Biodiversity Risk Assessment

In 2023, we developed a Deforestation and Biodiversity Risk Assessment process as part of our due diligence to assess biodiversity risk in the projects and non-retail clients that we finance across key markets. The process relies on a synthesis of data from three separate web applications providing information on peatlands, areas managed for conservation goals, including UNESCO-MAB Biosphere Reserves and Ramsar Sites, as well as IUCN Management categories.



Google Earth

Global Forest Watch

WWW Biodiversity Risk Filter

What is the plan moving forward?

As a founding signatory of the Principles for Responsible Banking (PRB) and in light of emerging frameworks such as the Kunming-Montreal Global Biodiversity Framework and the Taskforce on Nature-related Financial Disclosures (TNFD), we are in progress of conducting a comprehensive nature and biodiversity assessment for several of our key sectors. This assessment aims to provide valuable insights into our dependency on and impact on biodiversity, identifying potential risks and opportunities for improvement. We anticipate the results of this assessment will be available in 2025.

THANK YOU
FROM TOMORROW



Contact us at sustainability@cimb.com