CIMB

BANKING ON NATURE:

ADVANCING OUR NATURE JOURNEY

MOVING FORWARD WITH YOU

27th March, 2026

Edition 1.1

THANK YOU FROM TOMORROW

About this Document

This "Banking on Nature: Advancing our Nature-Linked Journey" Report (the Nature Report) outlines CIMB's preliminary approach and methodologies for assessing nature-related risks and opportunities across our operations and financing activities, underscoring our purpose of Advancing Customers and Society through sustainable development and our commitment to create shared value for the long term. It presents our initial efforts in aligning with frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Kunming-Montreal Global Biodiversity Framework (GBF).

As an ASEAN bank headquartered in Malaysia, we have chosen to commence this journey with CIMB Malaysia. This starting point reflects our strong local presence, established stakeholder relationships, and the availability of data in our home market. Malaysia's status as a biodiversity-rich country, with many nature-dependent and nature-impacting sectors, also makes it a strategically relevant focus for our initial efforts. While this analysis is centred on Malaysia, the insights derived can inform our understanding of nature-related risks and opportunities across other parts of our operations.

As part of this process, we engaged subject matter experts to gather diverse perspectives, with insights informing future strategies, initiatives, and target setting.

Version 1.0 of this document was published on 22 August 2025. Version 1.1 of this document was published on 27 March 2026 and includes a clarification that the exposure figures presented under Palm and Forestry reflect CIMB's total agriculture sector exposure and are not limited to these sub-sectors. No material changes have been made. Version 1.1 of this document supersedes Version 1.0.

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Feedback

We welcome all feedback, ideas, and questions from stakeholders on this document. Please contact:

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Executive Summary

CIMB recognises that nature loss and ecosystem degradation pose systemic risks, particularly in the ASEAN region where economies and communities are highly dependent on natural capital. Traditional economic models often focus on visible gains, such as GDP and output, while overlooking the hidden costs of environmental degradation. As Sir Partha Dasgupta noted in his book On Natural Capital, this is like a football team that only counts the goals it scores but ignores the goals it concedes. The team may appear to be winning, when in fact, it is losing.

As environmental pressures intensify, it is imperative for financial institutions to assess how the sectors they finance both depend on and impact nature and ecosystems. In response, CIMB is progressively embedding nature-related considerations into governance structures, risk management processes, and overall business strategy. Our approach is guided by leading global frameworks, including the Kunming-Montreal Global Biodiversity Framework (GBF), the Taskforce on Nature-related Financial Disclosures (TNFD), and the UNEP FI Principles for Responsible Banking (PRB).

> "Imagine a football team which measures its success only on the basis of the goals it scores and doesn't count the goals it concedes. That football team could be losing right through without recognising it... [1] "
>
> **Sir Partha Dasgupta**
> Author of "On Natural Capital"

Neglecting nature-related risks in our financing activities can result in significant reputational, physical, transition, and systemic financial risks. Protecting the integrity of Southeast Asia's terrestrial and aquatic ecosystems is not only a moral and environmental imperative – it also presents substantial economic value, with benefits from nature estimated to exceed USD 2.19 trillion annually.[2] In line with this, CIMB's long-term strategy seeks to mitigate negative impacts while promoting and enabling our clients to generate positive environmental and social outcomes through their business activities. This dual approach enables us to effectively manage risks while supporting our clients to achieve their sustainability goals.

We have undertaken a series of initiatives to better understand our nature-related dependencies, impacts, risks and opportunities, starting with a focus on high-risk sectors and key geographies in Malaysia. This report summarises the findings and insights from our initial work, outlining our methodologies, challenges, early lessons learned and the next steps to support our nature journey.

[1] Dasgupta, P. (2025). On natural capital: The Value of the World Around Us. Witness Books. *This vivid metaphor highlights how economic models often focus on visible gains (like GDP or output) and ignore unseen losses (like natural capital depletion).*
[2] World Economic Forum. (n.d.). How Southeast Asia can simultaneously protect nature and generate $2 trillion a year. [online] Available at: https://www.weforum.org/agenda/2022/07/southeast-asia-biodiversity-nature-economy/.

Governance: Nature-related risks and opportunities have been progressively embedded into CIMB's broader sustainability governance framework. Oversight is anchored at the Board level, with senior management oversight by the Group Sustainability Council, with execution integrated into established processes such as Basic Sustainability Due Diligence (BSDD) and Enhanced Sustainability Due Diligence (ESDD), as well as through our Sector Guidance, nature-related financing initiatives and client engagement.

In addition, nature considerations have been incorporated into CIMB's grievance handling and human rights frameworks, reflecting the intrinsic connection between environmental degradation and the rights of Indigenous Peoples and local communities. Nature-related issues are also embedded within CIMB's broader environmental and social safeguard mechanisms, further strengthening governance structures and enhancing readiness for future disclosure requirements.

Strategy, Risk and Impact Management: As part of this effort, CIMB has identified four high-priority sectors as the initial focus for our nature-related risk and opportunity assessments: Palm Oil, Forestry, Power, and Oil and Gas. These sectors were prioritised based on their high levels of dependency on natural capital, significant potential to cause environmental impacts, and relevance to CIMB and the ASEAN economy in terms of our portfolio exposure and strategic opportunities. This prioritisation exercise considered impacts, dependencies, and exposure to physical, transition, reputational, and liability risks.

We conducted a double materiality assessment of our portfolio across these key sectors using tools such as ENCORE, the WWF Biodiversity Risk Filter, and Global Forest Watch. This assessment enabled us to map key nature-related dependencies and impacts and define risk pathways to inform risk mitigation measures and portfolio prioritisation. The analysis also identified opportunities to engage our clients and support positive outcomes for nature, including financing sustainable land use projects, ecosystem restoration, and low-impact infrastructure.

Metrics and Targets: Although formal nature-related metrics and targets have not yet been established due to limitations in data availability and methodological consistency, CIMB is actively laying the groundwork for alignment to TNFD approaches and the goals of the GBF. Key areas of focus include monitoring client adoption of nature-related commitments, evaluating nature-related risks across the value chain, and exploring the development of indicators aligned with both the TNFD and GBF.

Addressing Challenges and Charting the Path Forward: As part of this effort, CIMB has identified several challenges, including the lack of global consensus on methodologies, limited data, and an evolving regulatory landscape. These challenges are not unique to CIMB but are shared across the financial industry, reflecting the early and complex nature of integrating nature-related considerations into decision-making. Recognising these systemic gaps, CIMB is working collaboratively with peers, regulators, and experts to help advance shared understanding and solutions. Despite the hurdles, we remain committed to building internal capacity and aligning with emerging global frameworks. This includes strengthening data infrastructure, enhancing technical capabilities, and fostering partnerships to enable meaningful integration of nature across the

organisation. These are foundational steps that will contribute to shaping the way the industry moves forward on nature and biodiversity.

CIMB has developed a clear roadmap for advancing biodiversity and nature-related initiatives and is preparing for future disclosures. While committed to setting ambitious and forward-looking targets, the Group recognises the importance of ensuring these are practical, credible, data-driven, and capable of delivering measurable outcomes. Current limitations, particularly in quantifying both direct and financed impacts, continue to present challenges in tracking progress and evaluating the effectiveness of our mitigation measures. Nevertheless, CIMB's proactive approach underscores our regional leadership in nature-related risk integration and the intent to embed nature considerations within long-term strategy and operations.

CIMB remains committed to a science-based, regionally relevant, and a phased approach to integrating nature considerations into our operations and financing activities. This forms the foundation for supporting our nature agenda while contributing to long-term financial resilience.

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1. Introduction

Nature Under Pressure: ASEAN's Biodiversity at a Crossroads

Nature is critical and foundational to economic resilience, societal well-being, and climate stability. Economic systems and natural systems are deeply interconnected, with nature underpinning the productivity and stability of global and regional economies. According to the World Economic Forum, USD 44 trillion of global economic value, representing over half of the world's GDP, is moderately or highly dependent on nature and its services.[3]

In Southeast Asia, where most of our operations are, the stakes are particularly high. The region hosts four of the world's 25 biodiversity hotspots and three of only 17 megadiverse countries: Indonesia, Malaysia, and the Philippines. It is also home to the most diverse coral reefs on the planet.[4] However, this natural heritage is under increasing pressure. Between 2001 and 2024, Malaysia alone lost approximately 9.51 million hectares of tree cover, representing a 32% decline since 2000 and contributing an estimated 5.51 gigatonnes of carbon dioxide equivalent (CO_2e) emissions.[5]

The link between nature, climate, and society is becoming increasingly evident. Biodiversity loss and ecosystem degradation not only exacerbate climate risks but also threaten global supply chains, food security, and financial stability. These environmental pressures disproportionately affect vulnerable communities and have direct implications on human rights, particularly for those who depend on natural ecosystems for livelihoods, health, and cultural identity. The degradation of nature also increases risks to human health through emerging diseases, reduced nutritional quality, diminished access to clean water and air, and the loss of genetic material which could be critical for live-saving medicines and other products. The interdependence between nature, economic systems, and human well-being underscores the need for an integrated approach that embeds environmental sustainability alongside social equity and justice. Ensuring a just transition is therefore essential to support inclusive, equitable, and resilient development.

The landmark Kunming-Montreal Global Biodiversity Framework (GBF), adopted in 2022, and signed by all 10 ASEAN member states and adopted in 2022, sets an ambitious global target to halt and reverse biodiversity loss by 2030 and to live in harmony with nature by 2050.[6] Since its adoption, ASEAN countries have progressively raised their biodiversity commitments, developed or updated National Biodiversity Strategies and Action Plans (NBSAPs), and put in place enabling measures such as natural capital accounting, ecosystem-based approaches, and policy reforms. Frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD) are helping the private sector, including financial institutions, to better assess and disclose their nature-related risks and opportunities.

Despite this momentum, significant gaps remain in aligning national efforts with GBF targets and in implementing measurable, scalable solutions. Many ecosystems in the region continue to face pressure from land use change, habitat destruction, and unsustainable resource extraction. A 2022 study by Bank Negara Malaysia (BNM), in collaboration with the World Bank, estimated that under a worst-case scenario of partial ecosystem collapse, Malaysia could face annual GDP loss of up to 6

[3] Russo, A. (2020). Half of World's GDP Moderately or Highly Dependent on Nature, Says New Report. [online] World Economic Forum. Available at: https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/.
[4] worldpopulationreview.com. (n.d.). Megadiverse Countries 2020. [online] Available at: https://worldpopulationreview.com/country-rankings/megadiverse-countries.
[5] Global Forest Watch (2022). Malaysia Deforestation Rates & Statistics | GFW. [online] www.globalforestwatch.org. Available at: https://www.globalforestwatch.org/dashboards/country/MYS/?category=forest-change.
[6] CBD Secretariat. (2023). 2050 Vision and 2030 Mission. [online] www.cbd.int. Available at: https://www.cbd.int/gbf/vision.

percent by 2030[7], primarily due to degraded forestry and fishery ecosystem services, and reduced export demand. This illustrates not only the critical scale of the risk, but also the urgent need to shift toward nature supportive development pathways. Conversely, with better alignment, stronger implementation, and targeted investment, the ASEAN region can unlock substantial opportunities in both environmental and economic terms by closing nature financing gaps, supporting sustainable land use, and enhancing the resilience of ecosystems and communities.

Nature as a Strategic Priority for CIMB

CIMB recognises that addressing nature and biodiversity loss is both a risk management imperative and a strategic business opportunity. CIMB's nature strategy complements our broader sustainability and climate agenda, including our Net Zero by 2050 commitment and sectoral climate transition plans. It also reflects our commitment to the UNEP FI Principles for Responsible Banking (PRB), which recognise nature as a core material matter for banks, alongside climate, human rights and economic inclusion, aligning our portfolio with sustainable development goals and engaging clients on shared environmental objectives.

Risk Mitigation and Management: Nature loss can result in material financial and systemic risks, including physical, transition, reputational and liability risks across key economic sectors. As per the study by Bank Negara Malaysia (BNM) and the World Bank, 54% of the commercial financing portfolio of Malaysian banks, equivalent to MYR 398 billion (USD 94 billion) as of December 2020, is directed to sectors that are highly or very highly dependent on one or more ecosystem services.[8] Additionally, 87% of banks' commercial financing portfolio are channelled to sectors which would highly or very highly impact various natural assets and ecosystem services.[9] This underscores the need for banks to put in place stronger safeguards, ensuring that projects and companies actively minimise their environmental impacts while managing exposure to nature-related risks and ecosystem degradation.

We are committed to helping clients identify and manage nature-related dependencies that could impact their operations and financial performance, which helps to safeguard our own portfolio performance. Addressing these risks is essential to safeguarding business continuity and ensuring the bank's financial resilience. Of all the financing cases escalated for Enhanced Sustainability Due Diligence (ESDD) in 2024, 2.8% were due to nature-related concerns such as biodiversity and deforestation. During the same period, 4 new time-bound action plans were issued to clients, specifically to address biodiversity and deforestation risks. Through this process, CIMB works closely with clients to identify site-specific risks, build understanding of environmental expectations, and implement practical mitigation measures. This collaborative approach strengthens our clients' long-term resilience and supports their alignment with national sustainability goals, while also mitigating potential credit risks to CIMB by helping clients understand and manage their own nature-related risks.

Nature-related Opportunities: Nature presents a growing opportunity for our clients and for sustainable finance. CIMB has committed to mobilising MYR 300 billion in Green, Social and Sustainable Impact Products and Services (GSSIPS) by 2030. This builds on our earlier targets, where our initial MYR 30 billion goal (from 2021-2024) was tripled to MYR 100 billion. Many of these financing

[7] Bank Negara Malaysia (2022). An Exploration of Nature-Related Financial Risks in Malaysia. [online] Available at: https://www.bnm.gov.my/documents/20124/3770663/wb-bnm-2022-report.pdf.
[8] Bank Negara Malaysia (2022). An Exploration of Nature-Related Financial Risks in Malaysia. [online] Available at: https://www.bnm.gov.my/documents/20124/3770663/wb-bnm-2022-report.pdf.
[9] Bank Negara Malaysia (2022). An Exploration of Nature-Related Financial Risks in Malaysia. [online] Available at: https://www.bnm.gov.my/documents/20124/3770663/wb-bnm-2022-report.pdf.

areas offer direct environmental benefits and serve as a strong foundation to scale up nature-aligned financing, including support for sustainable land use, biodiversity protection and ecosystem restoration. The Future of Nature and Business report highlights that transforming the key economic systems responsible for the bulk of nature loss could unlock up to USD 10 trillion in business opportunities[10], demonstrating that investing in nature is not only essential for planetary health but also presents a compelling economic opportunity for businesses and financial institutions alike.

A nature-aligned economy offers major opportunities for long-term value and investment. For example, Malaysia and Indonesia hold a substantial share of global nature-based carbon financing potential, positioning ASEAN as a key player in this space. Despite the opportunities, nature financing gaps remain significant. According to a report by the Paulson Institute, in collaboration with The Nature Conservancy and the Cornell Atkinson Center for Sustainability, the global biodiversity financing gap is estimated at an average of USD 711 billion per year[11], with Asia expected to account for a significant share of this requirement. In Malaysia, the gap for biodiversity initiatives is about USD 4.5 billion (MYR 19.0 billion) for 2018–2025[12], while in Indonesia it is USD 10.6 billion for 2015–2020[13]. This underscores the potential for a nature-aligned economy to deliver long-term value for business, people and the planet.

Policy and Regulation: We recognise the growing relevance of national regulations and policy frameworks, including Bank Negara Malaysia's Climate Change and Principle-based Taxonomy (CCPT), as well as Malaysia's National Policy on Biological Diversity and its National Biodiversity Strategies and Action Plans (NBSAPs). Integrating nature considerations into our risk and governance frameworks helps to manage risk, improves resilience and strengthens our alignment with national biodiversity objectives and global environmental targets.

Financial regulators in our markets are advancing nature-related risk management. In Malaysia, BNM partnered with the World Bank to assess nature-related financial risks and has commenced a TNFD pilot. Recently, the Monetary Authority of Singapore (MAS) and selected financial institutions collaborated with the University of Cambridge Institute for Sustainability Leadership (CISL) on a study exploring how nature-related scenario analysis can be integrated into financial risk assessments. Nature considerations are also reflected in sustainable finance taxonomies, including CCPT (Guiding Principles 3 and 4) and the ASEAN Taxonomy, which assess nature considerations and sustainable resource use.

To support this agenda, we continue to build internal capabilities, strengthen governance structures and close data and knowledge gaps. CIMB has developed a clear roadmap for advancing biodiversity and nature-related initiatives and is positioning itself for future TNFD- and GBF-aligned disclosures. This proactive approach reinforces our regional leadership in nature-related risk integration and our commitment to mobilising finance in support of a more resilient, nature-aligned ASEAN.

Nature presents urgent risks and direct dependencies that affect our clients and portfolio. Opportunities are also emerging as demand for nature-positive financing grows and clients increasingly seek guidance. This is not new for CIMB as we have long managed environmental and

[10] World Economic Forum (2020). The Future Of Nature And Business In collaboration with AlphaBeta. [online] Available at: https://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf.
[11] The Paulson Institute, The Cornell Atkinson Center and The Nature Conservancy (2023). FINANCING NATURE: Closing the Global Biodiversity Financing Gap Full Report. [online] Available at: https://www.paulsoninstitute.org/wp-content/uploads/2020/10/FINANCING-NATURE_Full-Report_Final-with-endorsements_101420.pdf.
[12] Biodiversity Finance Plan (BFP) for Malaysia Final Draft. (2018). Available at: https://www.biofin.org/sites/default/files/content/knowledge_products/Malaysia%20BFP%20Report_21%20August%202018_PRJAN2022.pdf.
[13] BIOFIN. (2024). Indonesia identifies and tracks biodiversity spending of US$600 million a year through improved tracking system. [online] Available at: https://www.biofin.org/news-and-media/indonesia-identifies-and-tracks-biodiversity-spending-us600-million-year-through.

social risks, but we are now enhancing our approach to sharpen implementation and embed nature considerations into existing risk management frameworks and business strategies.

CIMB's Pathway to Supporting Nature and Biodiversity

Given the growing urgency to address nature-related risks and align with global biodiversity goals, CIMB has been on its own journey to integrate nature into our sustainability strategy. After engaging with our key stakeholders in 2022, biodiversity and nature were formally recognised as material matters to the Group, reinforcing their relevance within our long-term strategic priorities. Internally, we have taken steps to build awareness, assess operational impacts, and align relevant policies and governance structures. However, we acknowledge that as a financial institution, our greatest impact lies not in our own operations, but in the activities and businesses we finance.

Material Matter

Nature and Biodiversity

Integrating nature (including waste and water management) and biodiversity considerations into financing and other business decisions

Foundational Steps Taken: Since 2020, we have implemented a range of foundational initiatives to strengthen nature-related integration. These include the establishment of a High-Risk Sector List and the launch of sector guides for Palm Oil and Forestry. In 2022, we announced our No Deforestation, No Peat, No Exploitation (NDPE) commitment, applicable to the Palm Oil, Forestry (including Rubber), and Timber Plantation sectors. In 2023, we began conducting project- and client-specific deforestation and biodiversity risk assessments using tools such as ENCORE, the WWF Biodiversity Risk Filter, and Global Forest Watch. We also contributed to the development of Malaysia's Biodiversity Action Plan through our role in the National Business Advisory Group. Most recently, in 2024, we published our Nature and Biodiversity Statement, outlining our approach to managing nature-related risks.

These milestones are illustrated in the timeline on the following page.

Current Efforts Outlined in this Nature Report: Building on this momentum, we are now embarking on deepening our understanding of nature-related risks and opportunities. Our earlier work focused primarily on identifying environmental impacts at the transaction or client level. Today, we are expanding our lens to also include nature-related dependencies and financial risks, while elevating the analysis to the portfolio level. This shift allows us to take a more strategic and systemic view of nature-related exposure across our business.

We have prioritised four high-risk sectors – Palm Oil, Forestry, Power, and Oil & Gas – based on their significant dependency on ecosystem services, their potential to contribute to nature loss, and their materiality to our overall financing and investment portfolios. We have completed a TNFD-aligned impact and dependency assessment for these sectors, using tools such as ENCORE, the WWF Biodiversity Risk Filter, and Global Forest Watch. We have chosen to begin this work in Malaysia due to our strong presence, data availability, and the country's status as one of the world's most biodiverse nations. Many of the region's key economic sectors, including agriculture and energy, are highly dependent on nature, making Malaysia a strategically important starting point.

Our ongoing efforts focus on strengthening governance, embedding nature into strategy and risk frameworks, and preparing for future disclosures. We have established board and senior management oversight, integrated nature into grievance and human rights mechanisms, and

reinforced local-level implementation. Through a double materiality assessment, we have mapped physical, transition, reputational, and liability risks, defined nature-related risk pathways, and advanced sector-specific strategy alignment. At the same time, we have identified challenges such as limited data quality, lack of methodological consensus, and the evolving regulatory landscape. This demonstrates our continued commitment to capacity-building and aligning with global frameworks such as the TNFD and GBF.

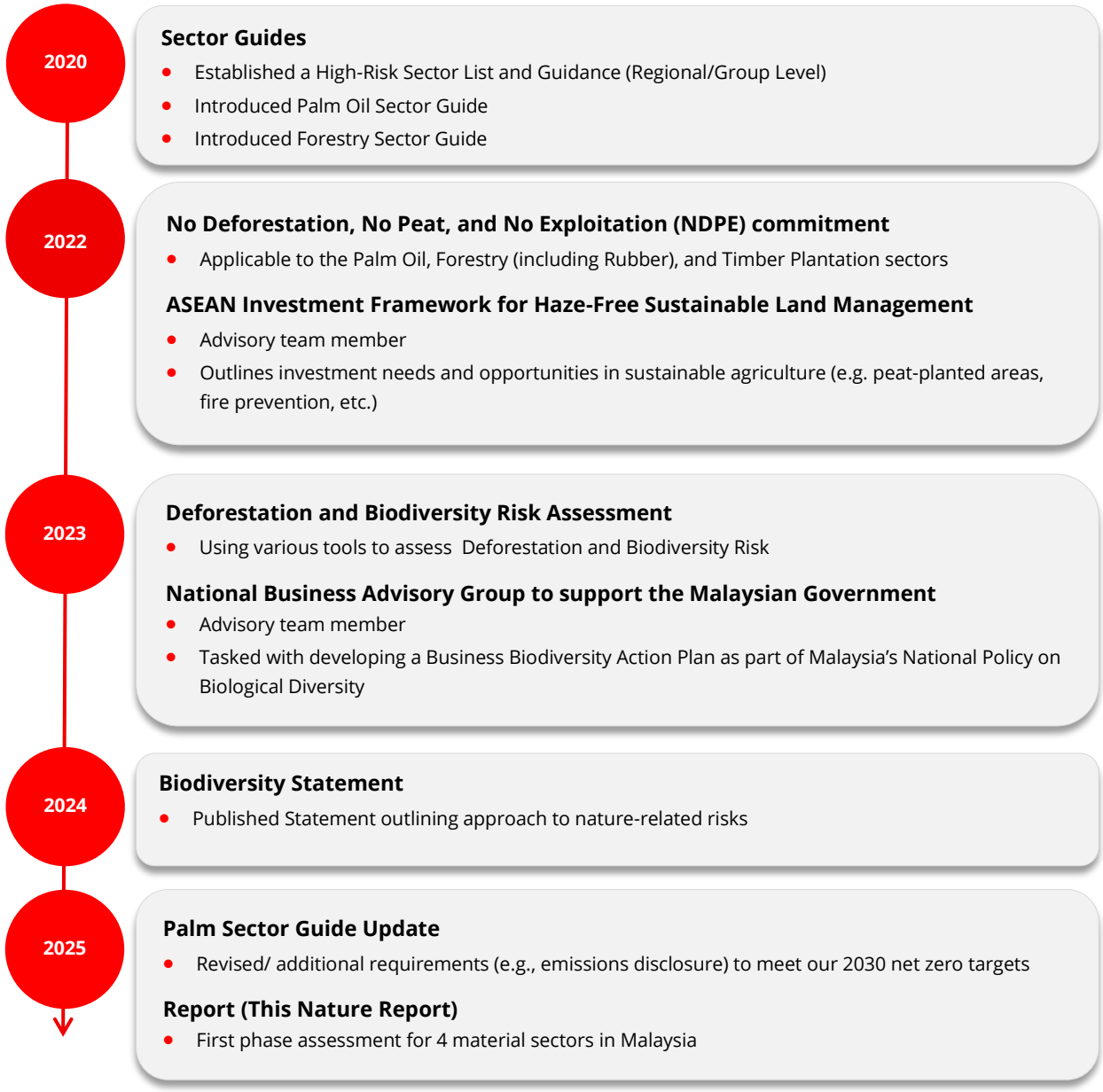


Figure 1: CIMB's Nature Timeline

For further details, refer to our Nature and Biodiversity website.

Nature presents a significant opportunity for innovation in sustainable finance, but this requires a deep understanding of where we can create the most impact. We are currently exploring potential nature-aligned financing avenues, such as those supporting sustainable land use, ecosystem

restoration, biodiversity protection and nature-based carbon projects. These efforts form the basis for a clear roadmap toward TNFD- and GBF-aligned disclosures, reinforcing our role as a regional leader in nature-related risk integration and nature financing.

Envisioned Next Steps: While we have made strong progress, outlining sector and country-level dependencies, impacts, risks and opportunities in this Report, many additional actions are required. Further exploration and piloting is required to enable practical and scalable application of these methodologies and analysis to specific clients and specific locations. This further work will provide insights on how nature related risks and opportunities can be applied at a more granular level, to inform client- and transaction-specific business decisions and business opportunities.

Although formal nature-related metrics and targets have not yet been established due to limitations in data availability and methodological consistency, CIMB is actively laying the groundwork for future TNFD- and GBF-aligned disclosures and target setting. Key areas of focus include monitoring client adoption of nature-related commitments, evaluating nature-related risks across the value chain, and exploring the development of indicators aligned with the Global Biodiversity Framework. Our next steps include enhancing data infrastructure, building internal capabilities, and progressively setting credible, science-aligned targets. These efforts collectively demonstrate our commitment to embedding nature into our governance, strategy, and financing decisions in support of a more resilient and sustainable ASEAN.

2. Governance

Sustainability, including the protection of nature and biodiversity, is a key component of CIMB's business strategy and decision-making. It is a shared responsibility across the Group and is integrated into our governance frameworks and business strategies. Through strong accountability, transparency, and strategic alignment, we strive to fulfil our purpose of Advancing Customers and Society by meeting evolving stakeholder expectations and driving positive outcomes for people, communities, ecosystems, and the planet.

Our sustainability governance framework embeds responsible practices, such as nature-related considerations, into our business operations and financing activities. This enables us to strengthen long-term resilience, foster innovation, and manage material economic, environmental, social and governance risks, while supporting clients in their transition journeys. This section outlines how sustainability risk, including nature-related risks, are governed at CIMB.

Board Oversight

- **Board of Directors:** The highest governance body responsible for CIMB's sustainability strategy, overseeing material environmental and social issues including climate and nature.
- **Board Group Sustainability Committee (BGSC):**
    - Meets quarterly to support the Board in upholding ethical conduct, integrity, and corporate responsibility.
    - Provides oversight and guidance on strategies, frameworks, and policies for material matters such as climate change, nature and biodiversity, human rights and economic inclusion.
    - Oversees sustainability-related strategies, risks, and opportunities, ensuring alignment with the Group's broader objectives.
- **Other Board Committees:** The Board Risk and Compliance Committee (BRCC), Audit Committee (AC), Group Nomination, Remuneration Committee (GNRC) and Board Champions provide targeted oversight of specific sustainability-related matters, including climate and nature, within their respective domains.

Management Oversight and Implementation Coordination

- **Group Transformation Committee (GTC):** Chaired by the Group CEO, the GTC oversees the execution of the Sustainability Programme as a key strategic pillar within CIMB's corporate strategy.
- **Group Sustainability Council (GSC):**
    - Chaired by the CEO of CIMB Bank Berhad, the GSC comprises senior representatives from across countries, business units and key business enablers.

- Oversees and guides the implementation of sustainability strategies, including those focused on climate, nature and human rights, sets portfolio-level targets, and monitors progress.
- Ensures implementation of sustainability policies, procedures, and controls, and monitors the sustainability risk profile of the Group's business activities.

- **Group Sustainability Division:**
  - Responsible for coordinating and overseeing execution of sustainability strategies across material matters, priorities and initiatives across the Group.
  - Includes Centres of Excellence such as Sustainable Finance Risk Management and Net Zero, and Sustainable Finance Business Development.
  - Works closely with Country, Business and Enabler Sustainability Teams to deliver localised solutions.

Implementation and Execution

- **Embedded Sustainability Champions and Specialists:**
  - Full-time sustainability specialists and part-time sustainability champions are embedded across the Group to promote decentralised innovation and a sustainability-driven culture, values, and accountability.
  - Frontliners and employees across all Countries, Business Units and Business Enablers are accountable for executing sustainability-related work as part of their day-to-day responsibilities.

- **Governance of Execution:**

  CIMB has taken deliberate steps to institutionalise nature-related considerations across its operations, policies, and decision-making frameworks. Governance of execution is critical to ensure that nature-related ambitions translate into measurable, sustained impact. This includes:

  - **Policies, Frameworks, and Organisational Embedment:** Nature-related risks and opportunities have been progressively embedded into CIMB's overarching sustainability architecture, including within the Group Sustainable Financing Policy (GSFP) and high-sustainability risk Sector Guides. These policies set clear expectations for clients in nature-sensitive sectors and inform due diligence processes and client engagements.
  - **Key Performance Indicators (KPIs):** To drive accountability and reinforce implementation, sustainability-related KPIs are cascaded across all departments and functions. These support performance tracking, inform strategic decision-making, and ensure that nature-related objectives are embedded into business planning, risk assessments, and client engagement, among others.
  - **Capacity Building and Training:** Recognising the need for internal awareness and capability, CIMB is rolling out targeted training on nature-related risks and nature

financing. Training modules are tailored to different roles within the Bank, including frontliners conducting due diligence and sustainability specialists developing engagement strategies. This ensures consistent understanding and application across all relevant functions.

Integration with Broader Sustainability Priorities

CIMB recognises that nature cannot be addressed in isolation. Our approach to nature-related risks and opportunities is closely integrated with other material sustainability themes, particularly climate action, human rights and economic inclusion. Environmental degradation such as deforestation, pollution, and loss of flora and fauna can directly threaten access to clean water, food, health, and livelihoods, particularly for vulnerable groups including Indigenous Peoples and local communities. Similarly, nature-based solutions must respect land rights, cultural heritage, and the right to free, prior, and informed consent. These interdependencies are holistically embedded into our governance structures, policies, and implementation practices, reflecting our recognition of the climate–nature–people nexus.

Nature and human rights: CIMB recognises that protecting nature is not just an environmental concern, but one that is deeply interconnected with the protection of human rights. We have a robust governance framework for human rights, with oversight anchored at the highest levels of the Bank. We developed and published our first Human Rights Policy in 2022, committing to the UN Guiding Principles (UNGP) on Business and Human Rights. In 2024, we updated our Group Human Rights Policy and expanded our grievance mechanism to cover our broader value chain, including vendors and clients, and their stakeholders.

Our Grievance Mechanism has been updated to reflect the climate–nature–people nexus. Nature considerations are now embedded within CIMB's broader grievance and human rights framework, ensuring that all stakeholders can raise concerns related to environmental harm, land rights, or nature impacts through accessible and transparent channels. This mechanism complements broader sustainability risk processes and provides an important feedback loop to identify and address potential harm across both social and environmental dimensions. Our remediation framework, aligned with the UNGPs, ensures proportionate and context-sensitive action based on CIMB's level of responsibility or involvement.

Nature and climate change: Nature and climate are also deeply interlinked. Nature loss or degradation weakens climate resilience by undermining ecosystem services such as carbon sequestration, water regulation, and temperature control. At the same time, healthy ecosystems are essential for climate stability. Natural systems such as forests, wetlands, and oceans act as vital carbon sinks, helping to regulate the Earth's climate, while climate change simultaneously threatens nature and ecosystem health.

This interdependence means that addressing climate risks without integrating nature considerations could undermine our Net Zero ambitions. By embedding nature alongside climate priorities, our approach supports both environmental resilience and social well-being. For example, our

Sustainable Finance Framework incorporates nature-related considerations into our Sustainability Due Diligence process, and outlines our approach to Green, Social, Sustainable, and Impact Products and Services, where nature financing is a key component.

CIMB's Net Zero Whitepaper, published in 2024, outlines our climate targets and sectoral decarbonisation pathways. Several of these sectors overlap with those identified in this report, including palm oil, forestry, utilities, and oil & gas. These are sectors where there is strong convergence between nature and climate risks, and where targeted interventions can generate the highest impact. The Whitepaper guides our engagement with clients on climate transition and reinforces our commitment to climate and nature-aligned outcomes that enhance resilience and reduce environmental harm.

This integrated governance approach enables CIMB to assess and respond to nature-related dependencies, impacts, risks, and opportunities with a clear view of their broader implications for people, the planet, and long-term value creation.

For further details, refer to our Sustainability Report.

3. Strategy, Risk and Impact Management

Nature and Biodiversity Goals and Objectives

As a financial institution, CIMB recognises that our most significant impacts on nature and biodiversity, both positive and negative, arise from the activities and clients we finance. The loss of nature poses substantial risks to our financing activities, including exposure to physical, transition, and reputational risks. At the same time, we have a significant opportunity to support our clients in adopting sustainable practices and investing in solutions that contribute to nature protection and restoration. In response, our nature and biodiversity strategy is designed to support and enable clients to contribute meaningfully to environmental sustainability. This includes promoting responsible practices, reducing negative environmental impacts, and fostering positive outcomes for nature across clients' operations and value chains.

As nature-related risks continue to grow alongside climate risks, CIMB acknowledges the critical role of the financial sector in halting and reversing biodiversity loss. In line with this, we have established clear goals and objectives to support nature and enhance ecosystem resilience across our operations, financing activities, and broader value chain

Our Approach to Sustainable Finance:

Maximising Positive Impact and Minimising Harm

Our Goal:

Encourage, engage and enable our clients while steering our operations and business activities towards preventing, mitigating and reversing nature loss.

Our Objectives:

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

Laying the Foundation #1: Definitions and concepts[1]

- **Nature:** The natural world, emphasising the diversity of living organisms, including people, and their interactions with each other and their environment.[1]
- **Realms of nature:** Land, ocean, fresh water and atmosphere, all of which are closely interlinked with society – organisations and individuals both depend on and impact nature.[1]

Society is positioned at the centre of the framework, engaging with and influencing all four realms. This encompasses individuals, corporations, and financial institutions – all of whom both depend on and impact nature.

- **Biodiversity:** The variability among living organisms from all sources including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part. This includes diversity within species, between species and of ecosystems.[10]
- **Biomes:** Global-scale zones, generally defined by the type of plant life that they support in response to average rainfall and temperature patterns. Examples are tundra, tropical forests, coral reefs or savannas.[11]
- **Ecosystem:** A dynamic complex of plant, animal and microorganism communities and the non-living environment, interacting as a functional unit.[12]
- **Environmental assets:** The naturally occurring living and non-living components of the Earth, together constituting the biophysical environment, which may provide benefits to humanity.[13]
- **Natural capital:** The stock of renewable and non-renewable natural resources such as plants, animals, air, water, soils and minerals that combine to yield a flow of benefits to people.[14]
- **Ecosystem services:** The contributions of ecosystems to the benefits that are used in economic and other human activity.[13]

[14] Convention on Biological Diversity (2006). Convention Text. [online] www.cbd.int. Available at: https://www.cbd.int/convention/articles?a=cbd-02.
[15] IPBES (2019). Global Assessment Report on Biodiversity and Ecosystem Services | IPBES. [online] Ipbes.net. Available at: https://www.ipbes.net/global-assessment.
[16] United Nations (1992). CONVENTION ON BIOLOGICAL DIVERSITY. [online] Available at: https://www.cbd.int/doc/legal/cbd-en.pdf.
[17] Un.org. (2021). System of Environmental-Economic Accounting - Ecosystem Accounting (white cover version) | System of Environmental Economic Accounting. [online] Available at: https://seea.un.org/ar/node/2979 [Accessed 29 May 2025].
[18] Capitals Coalition. (2024). Natural Capital Protocol – Capitals Coalition. [online] Available at: https://www.naturalcapitalcoalition.org/capitals-approach/natural-capital-protocol/?fwp_filter_tabs=guide_supplement [Accessed 29 May 2025].

Our Approach: Double Materiality

Nature-related risks are interconnected and flow through the economy into the financial system, making the concept of double materiality particularly relevant for banks. The outside-in perspective (financial materiality) considers how biodiversity loss, ecosystem degradation, and climate pressures create risks for clients, sectors, and financial portfolios. These risks may arise from physical impacts such as droughts, floods, and supply chain disruptions, or from transition drivers such as new regulations, technological shifts, and changing consumer preferences that undermine the viability of high-impact industries.

The inside-out perspective (environmental and social materiality) focuses on how financing decisions contribute to environmental degradation and social harm, for example through deforestation, overexploitation of natural resources, or projects that adversely affect local and Indigenous communities. These impacts not only drive ecological decline but also create reputational, legal, and regulatory risks.

Unlike climate change, where emissions contribute to global heating over time, nature-related impacts are often local, immediate and more direct. For example, the destruction of forests, watersheds or biodiversity in a particular region can rapidly affect the businesses and communities operating there. As such, inside-out impacts such as deforestation or water pollution can rebound to become outside-in risks for businesses and banks, exposing them to financial losses, legal liabilities or reputational harm. Understanding this feedback loop is essential for building portfolio resilience and aligning with emerging frameworks such as the TNFD.

Financial Materiality: From an outside-in perspective, the degradation of nature, including the loss of ecosystem services such as water regulation, pollination and soil fertility, can significantly affect the financial viability of businesses. These impacts may arise through various risk channels:

- Physical risks, such as disruption of water supply, or loss of flora and fauna
- Transition and reputational risks, e.g., from policy changes or shifting stakeholder expectations
- Liability risks, including lawsuits from communities affected by environmental harm

As these risks cascade through supply chains and broader economies, they can translate into increased credit, market, underwriting, operational and liquidity risks for banks. Financial institutions must therefore assess how their exposure to nature-dependent sectors may create long-term vulnerabilities within their portfolios, and potentially contribute to broader financial instability. This requires not only understanding the risks themselves, but also the transmission channels through which environmental degradation affects clients and economic sectors.

Moreover, the implications of nature loss extend beyond financial risk. It can compromise food security, public health, community safety and social stability. For example, ecosystem degradation weakens climate resilience by reducing carbon sequestration in forests and wetlands. Disruptions to nutrient cycles can lower crop yields, leading to increased fertiliser use and further environmental harm. These feedback loops can intensify systemic risk, underscoring the importance of comprehensive and forward-looking risk assessment frameworks that account for both the direct and cascading impacts of nature-related risks.

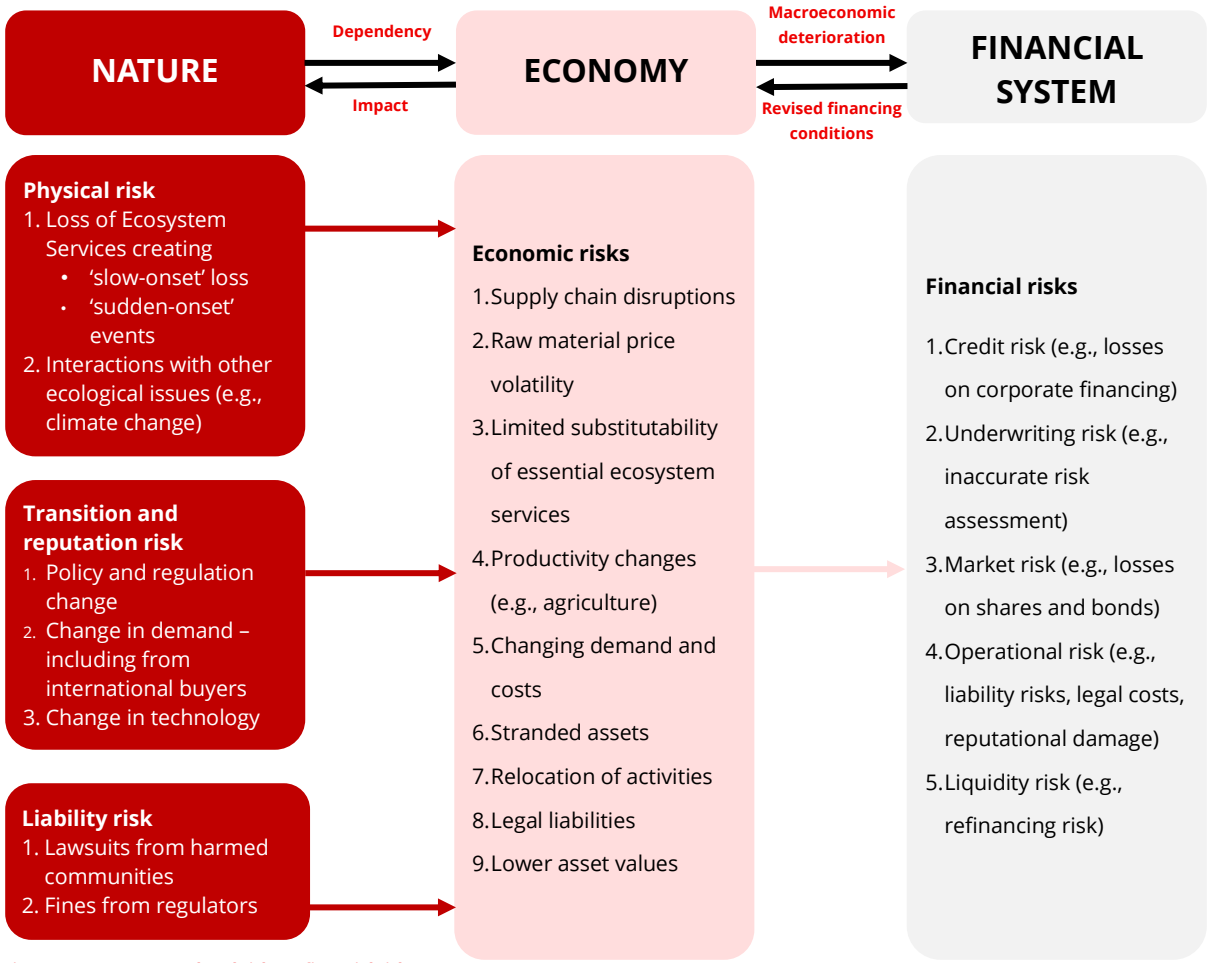


Figure 2 From nature-related risks to financial risks

Bank Negara Malaysia (2022). An Exploration of Nature-Related Financial Risks in Malaysia. [online] Available at: https://www.bnm.gov.my/documents/20124/3770663/wb-bnm-2022-report.pdf.

Environmental materiality: From an inside-out perspective, banks influence nature through the financing decisions they make, particularly in sectors such as agriculture, infrastructure, and extractives. These sectors often carry a high risk of environmental degradation due to land-use change, pollution, and resource exploitation. By supporting clients engaged in activities with negative environmental or social impacts, financial institutions may inadvertently contribute to deforestation, the loss of biodiversity, and harm to Indigenous Peoples and Local Communities. This includes negative impacts on habitats, water quality, livelihoods and cultural heritage, which can result from the clearing of forests, the draining of wetlands, or overexploitation of marine resources. Such impacts not only undermine the resilience of natural systems but also erode the long-term health of local economies and communities.

Regulatory and stakeholder expectations are rising, with increasing scrutiny from investors, civil society, and regulators under frameworks such as the Climate Change and Principle based Taxonomy (CCPT) by BNM, the Taskforce on Nature-related Financial Disclosures (TNFD), the Principles for Responsible Banking (PRB), and the Kunming-Montreal Global Biodiversity Framework (GBF). As a result, environmental materiality has become a critical lens through which banks must assess the broader consequences of their financing and investment decisions.

Our Approach: Assessing Impacts and Dependencies

Laying the Foundation #2: Impacts and Dependencies

Impacts

Impacts are **changes to nature's condition** and resilience – positive or negative – that **affect its ability to support social and economic functions**, caused by an organisation or others.

Climate Change

Alters natural ecosystems by shifting species distributions, increasing the frequency of extreme weather events, and reducing ecosystem resilience.

Land/ freshwater/ ocean use change

Land conversion and freshwater extraction for economic activities cause habitat loss, disrupted water flows, and ecosystem degradation.

Resource use/ replenishment

Overextraction and inefficient use of natural resources place pressure on ecosystems and reduce their ability to regenerate.

Pollution/ pollution removal

Industrial, agricultural, and energy-related activities contaminate air, water and soil, threatening species and human health.

Invasive alien species introduction/ removal

The introduction of non-native species can displace native flora and fauna, and disrupt ecosystem balance.

Dependencies

Dependencies are the **elements of natural capital and ecosystem services** that **an organisation relies on to function**.

Provisioning services

Material contributions from nature, such as food, freshwater, and raw materials – for example fish for fisheries or water for irrigation.

Regulating and maintenance services

Contributions from ecosystem processes that regulate environmental conditions, such as water cycling and climate regulation.

Cultural services

Non-physical contributions from nature that support physical, psychological, or spiritual well-being, including recreational activities like hiking in mountains or fishing in rivers and lakes.

Portfolio Assessment: Sector Prioritisation

We recognise the growing importance of nature, biodiversity and ecosystem integrity as a material matter within the banking sector. In 2022, this was formally incorporated into our materiality considerations to reflect nature as an emerging source of both risk and opportunity, driven by its increasing relevance to stakeholders and its interconnection with climate-related targets.

Our assessment framework builds on our existing Net Zero goals to also deliver benefits for nature, recognising the need to integrate climate and nature-related risks and opportunities holistically. We anchored this process within our operational context by identifying sectors where CIMB's financing activities intersect with nature.

Factors for Sector Prioritisation			
✓ Criticality for **Net Zero and Nature Risks**	✓ Relevance to **ASEAN** and to **CIMB**	✓ Aligned to **TNFD** and **PRB** focus sectors	✓ Potential for **Nature Positive Impact**

We prioritised sectors based on four clear criteria as stated above. This served to help ensure our assessment was strategic, regionally grounded, and aligned with global nature frameworks, as a starting point for meaningful evaluation of nature-related impacts, dependencies, risks, and opportunities across our portfolio.

Based on the prioritisation exercise, we established palm oil, forestry, power, and oil & gas as our initial focus sectors for nature. These sectors demonstrate high dependency on ecosystem services, significant environmental footprints, and material relevance in CIMB's portfolio and the ASEAN economy. They are also closely linked to nature loss through deforestation, habitat disruption, emissions, and natural resource extraction. Their alignment with global frameworks such as TNFD, GBF, and PRB, along with CIMB's existing sectoral guidance, makes their inclusion both strategic and practical. Power and oil & gas, in particular, exert upstream influence with cross-sectoral implications, creating a multiplier effect on environmental and social outcomes.

In contrast, sectors such as real estate, manufacturing, construction, and transport – although financially material – present more localised or downstream nature risks that are generally managed through project-level compliance mechanisms. For instance, a significant proportion of CIMB's real estate exposure is in residential mortgages, and transport exposure is largely in automotive financing to individuals, both offering limited direct levers for nature-related engagement. Manufacturing and construction pose resource and pollution risks but linkages to nature are typically more complex and less direct at the sector level, especially in terms of dependencies. Other sectors such as livestock, mining, and fisheries are also environmentally relevant but either represent a smaller share of the portfolio or require more refined methodologies for assessment. These sectors may be incorporated in future phases as our internal capacity and external guidance mature.

Our integrated approach to environmental and social matters enables the Bank to design interventions that support climate mitigation, enhance resilience, promote nature conservation and economic inclusion, thereby maximising the impact and coherence of our sustainability strategy.

Sector	Importance	Materiality to CIMB
Palm	**Very High ▲**	• **Net Zero and Nature Risk:** CIMB Net Zero target set; A leading contributor to deforestation, peatland emissions, and biodiversity loss in Southeast Asia. • **ASEAN and CIMB Relevance:** Highly relevant to the economies of Malaysia and Indonesia, where palm cultivation is concentrated, and CIMB's portfolios. • **TNFD/PRB Alignment:** Included under TNFD's agriculture-related priority sectors with high nature dependency. • **Nature-Positive Potential:** Strong opportunity to advance NDPE, traceability, and regenerative agriculture practices.
Forestry	**Very High ▲**	• **Net Zero and Nature Risk:** Directly linked to habitat loss, logging emissions, and ecosystem degradation. • **ASEAN and CIMB Relevance:** Present in regional commodity value chains including timber, pulp, and paper. • **TNFD/PRB Alignment:** Recognised as a high-dependency sector under TNFD (paper and forest products). • **Nature-Positive Potential:** Potential for reforestation, improved certification, and protection of high conservation value areas.
Power	**High ▲ to Very High ▲**	• **Net Zero and Nature Risk:** CIMB Net Zero target set; Central to energy transition; Fossil-based generation impacts air, water, and land ecosystems. • **ASEAN and CIMB Relevance:** One of CIMB Malaysia's top five sectors, and highly relevant in regional development. • **TNFD/PRB Alignment:** Recognised as a TNFD priority sector due to high water and land dependencies. • **Nature-Positive Potential:** Transition to renewables and improving grid efficiency can reduce ecosystem impacts and enable climate–nature co-benefits.
Oil & Gas	**High ▲ to Very High ▲**	• **Net Zero and Nature Risk:** CIMB Net Zero target set; Significant source of GHG emissions and ecosystem disruption through exploration and extraction. • **ASEAN and CIMB Relevance:** Significant regional economic sector with substantial exposure in CIMB's portfolio. • **TNFD/PRB Alignment:** Identified by TNFD as high dependency sector due to nature interface in offshore and onshore operations. • **Nature-Positive Potential:** Opportunity to reduce impacts via methane abatement, habitat protection, and just transition strategies.

Portfolio Assessment: Overview of Nature Risks Across Prioritised Sectors

To gain deeper insights into the nature-related risks relevant to the identified priority sectors, we conducted a double materiality assessment of our portfolio. This assessment examined:

- the impacts of the economic activities we finance on nature; and

- the dependency of those activities on nature and its ecosystem services.[19]

Sector/ Sub-industry	Palm	Forestry	Power	Oil & Gas
Dependencies	Very High	Very High	High	High
Impact	Very High	Very High	Very High	Very High
CIMB's exposure (MYR billion)	MYR 25.6 bil		MYR 15.0 bil	MYR 9.5 bil
CIMB's exposure (%)	3.9%		2.3%	1.5%

Figure 3: Sector Impact & Dependency Heatmapping and Exposure

* Results from ENCORE Heat Mapping + GFW and WWF risk filter overlay + Value chain overlay

* CIMB's exposure (MYR billion and %) is rounded to one decimal place, with all values derived from the Malaysia, Indonesia, Singapore and Thailand portfolios as at end 2024.

* The figures presented for Palm and Forestry represent CIMB's total exposure to the agriculture sector and are not limited to these sub-sectors alone.

To confirm our initial prioritisation of focus sectors, we carried out a comparative assessment using The ENCORE tool, overlaid with insights from Global Forest Watch (GFW) and the WWF Risk Filter. The analysis evaluated four key sectors – Palm Oil, Forestry, Utilities (Power), and Oil & Gas – based on their dependency on natural capital and their impact on biodiversity across the value chain. Collectively, these sectors account for 7.7% of CIMB's total portfolio exposure in Malaysia, Indonesia, Singapore and Thailand. This assessment was structured across three lenses to provide a comprehensive view of sector-level nature interactions:

1. **Sector Heatmap (Based on ENCORE):** A useful initial lens that highlights the typical dependencies and impacts associated with various economic activities.
2. **Geography Overlay (Based on Global Forest Watch and WWF Biodiversity Risk Filter):** This analysis contextualised nature-related dependencies and impacts by assessing the condition and ecological value of natural capital in the geographic locations where activities occur. Due to current data limitations, this assessment was conducted at the country level; However, we anticipate that future analyses will become more granular as higher-resolution data becomes available.
3. **Value Chain Overlay (Based on expert judgement):** The final step in the materiality assessment involved identifying indirect, yet potentially material, nature-related risks across the value chain. This required evaluation of each sector's upstream and downstream interactions with nature and development of an appropriate methodology for aggregating risk scores throughout the value chain,

These analyses provided a foundational understanding of how the sectors we finance interact with nature, although they represent only part of the picture. To fully assess the relevance of nature-related risks to our business, we also considered how environmental degradation affects not only ecosystems, but also communities, the broader economy and financial system.

[19] Recommendations of the Taskforce on Nature-related Financial Disclosures. (2023). Available at: https://tnfd.global/wp-content/uploads/2023/08/Recommendations-of-the-Taskforce-on-Nature-related-Financial-Disclosures.pdf?v=1734112245.

The results of our three-step analysis helped to validate the selection of our four priority sectors. Both Palm Oil and Forestry display very high dependencies on ecosystem services and land resources, and are associated with severe environmental impacts, particularly through deforestation, habitat conversion, and soil degradation. These sectors are intrinsically linked to nature and are regarded as among the most ecologically intensive industries.

Power and Oil & Gas exhibit high levels of dependency, and they contribute substantially to nature loss, especially through emissions, water usage, and the physical disruption of terrestrial and aquatic ecosystems. These impacts are particularly acute in ecologically sensitive areas, where infrastructure development and extraction activities intersect with critical habitats.

Sectorial Assessment: Our Methodology

To assess nature-related dependencies, impacts, risks and opportunities across our four priority sectors, we applied a structured approach guided by the TNFD framework.

Value Chain Analysis: For each priority sector, we mapped the key stages of the value chain to identify where nature-related dependencies and impacts are most significant. This included upstream (for example, resource extraction or cultivation), midstream (for example, processing), and downstream (for example, distribution or end-use) activities. Understanding the nature interface across the value chain allows us to pinpoint operational hotspots, assess exposure to environmental risks, and identify targeted opportunities for impactful interventions.

Environmental Assets: For each sector, we began by identifying the relevant environmental assets. These represent the natural capital that supports the economic activity of the sector, including freshwater ecosystems, terrestrial ecosystems, mineral and energy resources, and cultivated biological resources. Understanding environmental assets is essential, as they underpin sector operations, influence supply chain resilience, and represent areas of potential risk and value erosion.

Ecosystem Services: We then examined the ecosystem services provided by these environmental assets. Ecosystem services refer to the benefits that nature provides to people and businesses. These include provisioning services such as water supply and biomass, regulating and maintenance services such as soil retention, climate regulation, and water purification, and cultural services such as recreation and community wellbeing. By identifying these services, we were able to assess how sectors depend on nature and, in turn, how their operations may degrade or enhance these services.

Impact Drivers: In parallel, we evaluated sector-specific impact drivers that cause changes in the state of nature. As outlined by the TNFD, the five primary drivers of nature change are:

- Climate change
- Land, freshwater and ocean use change
- Resource use and replenishment
- Pollution and pollution removal
- Invasive alien species introduction and removal

These drivers help pinpoint the pathways through which business activities contribute to nature loss or ecosystem degradation. For example, land-use change from deforestation in the palm oil and forestry sectors, or pollution from the oil and gas and power sectors, directly affect critical ecosystems and services.

We adapted the TNFD dependency–impact pathway into a detailed, sector-specific table for each of CIMB's four priority sectors. For each, impact drivers associated with sector activities were identified and mapped to changes in the state of nature and the environmental assets affected, with corresponding descriptions of the resulting impacts on ecosystem assets. In parallel, key dependencies were assessed by linking critical environmental assets to the ecosystem services the sector relies upon, capturing potential changes in the flow of ecosystem services. This approach preserves the TNFD's dual perspective, impact pathways (how sector activities affect nature) and dependency pathways (how sectors rely on nature), while presenting the information in a concise and accessible format to support risk assessment, opportunity identification, and due diligence.

The analysis also incorporated realm-level mapping (land, freshwater, ocean, and atmosphere) and biome-level mapping (such as tropical forests, coastal systems, and inland wetlands) to understand the ecological contexts in which sector activities occur. This was complemented by location-specific tools including ENCORE, WWF Biodiversity Risk Filter, and Global Forest Watch to provide spatial insights into high-risk geographies. These tools enabled the identification of nature-related vulnerabilities such as deforestation fronts, water stress zones, and biodiversity hotspots, helping to pinpoint areas where dependencies and impacts are most acute.

By integrating sector activity mapping, ecosystem asset analysis, realm and biome context, and geospatial risk tools, we were able to develop a robust understanding of how each sector interacts with nature, to support the identification of material risks and emerging opportunities, while informing client engagement, due diligence processes, and portfolio-level strategic decisions.

Laying the Foundation #3: Impacts and Dependencies

The LEAP analysis, short for Locate, Evaluate, Assess and Prepare, is the core approach recommended by TNFD to help companies and financial institutions assess and manage nature-related risks and opportunities. For example, the sector heat mapping presented in the preceding section serves as a foundational assessment method within the Locate phase of the LEAP approach, while the Sectorial Assessment sections that follow present the outcomes of the Evaluate and Assess phases.

Locate The interface with nature	**Evaluate** Dependencies and Impact	**Assess** Risk and Opportunities	**Prepare** To respond and report
Span of the business	Identification of environmental assets, ecosystem services and impact divers	Risk and opportunity identification	Strategy and resource allocation plans
Dependency and impact scenario	Identification of dependencies and impact	Adjusting of existing risk mitigation and risk and opportunity management	Target setting and performance management
Interface with nature	Dependency and impact measurement	Risk and opportunity measurement and prioritisation	Reporting
Interface with sensitive locations	Impact materiality	Risk and opportunity materiality assessment	Presentation

Sectorial Assessment: Palm Oil

Sector Overview

The palm oil sector has been prioritised in this nature assessment due to its extensive land footprint, close interface with natural ecosystems, and material relevance to Malaysia's economy. As one of the country's most prominent agricultural industries, palm oil plays a critical role in supporting livelihoods, trade, and rural development. However, the sector's growth has historically come with significant land use change, particularly in forested and peatland areas, which can impact nature and ecosystem services. At the same time, local communities and workers have sometimes faced challenges around land tenure, fair compensation, safe working conditions, meaningful consultation, and the need to secure free, prior and informed consent (FPIC). For example, labour rights violations such as the withholding of workers' passports, a practice that restricts freedom of movement and can lead to conditions of forced labour, remains common is this sector and is highly criticised. Given its scale, the sector also presents opportunities to strengthen environmental performance through improved land management, conservation efforts, and the adoption of more sustainable production practices, and to embed robust human-rights safeguards, such as respect for indigenous land rights, protection of labour standards, transparent grievance mechanisms, and full adherence to FPIC, into every step of the value chain.

Value Chain Analysis

The palm oil sector exhibits very high nature dependencies and impacts during the planting stage, especially due to its reliance on ecosystem services such as soil fertility and water, and its link to deforestation, peatland drainage, and biodiversity loss in Southeast Asia. Palm-related manufacturing activities show moderate dependencies and impacts from wastewater, emissions, and energy use. Trading activities have minimal direct dependency on nature but carry medium-level impacts associated with logistics, packaging, and indirect market-driven deforestation pressures.

Planting of Palm		Manufacturing of Palm and its products		Trading of Palm and its products	
Dependencies	**Impacts**	**Dependencies**	**Impacts**	**Dependencies**	**Impacts**
Very High	**Very High**	**Medium**	**Medium**	**Low**	**Medium**

*Key: **Very High (VH) High (H) Medium (M) Low (L) Very Low (VL) Not Applicable (NA)**

Nature Interface

We analyse environmental assets, ecosystem services, and impact drivers in the palm oil sector to understand how companies depend on and affect nature across their operations and supply chains.

Key Impacts	
Impact Drivers (Caused by Sector Activities)	**Environmental Assets Affected**
Land / freshwater / ocean use change (e.g. forest and peatland conversion, drainage, infrastructure expansion)	• **Terrestrial ecosystems:** Large-scale deforestation for plantation establishment, including HCV/HCS areas. • **Land:** Degradation, compaction, and erosion from intensive land preparation and monoculture cycles. • **Freshwater ecosystems:** Altered hydrology, wetland loss, and riparian zone encroachment. Altered water systems disrupt fishing and farming livelihoods, increase flood risks, and affect water security.
Resource use / replenishment (e.g. high water demand, nutrient depletion, pressure on genetic resources)	• **Freshwater ecosystems:** High rates of water withdrawal for irrigation and milling can reduce availability. • **Cultivated biological resources:** Over-reliance on narrow genetic pools increases vulnerability to pests/disease. Lower crop resilience affects smallholder income stability and food security.
Pollution / pollution removal (e.g. wastewater discharge, chemical runoff, sedimentation)	• **Freshwater ecosystems:** Contamination from Palm Oil Mill Effluent (POME), fertiliser, and pesticide runoff. Contaminated water sources affect health, aquaculture, and household drinking water. • **Land:** Soil pollution and nutrient imbalances due to agrochemical overuse.
Climate change (e.g. CO_2 and CH_4 from peat, fossil fuel use, fertiliser-related N_2O emissions)	• **Atmospheric systems:** Emissions from deforestation, peat oxidation, and land use change contribute to GHG loads, while open burning and forest fires can generate transboundary haze; in addition, emissions from palm oil mill effluent (POME) represent the highest operational emissions for upstream palm (estate and mill) outside of land use change.
Invasive alien species introduction / removal (less material, but possible)	• **Terrestrial ecosystems:** Risk from biological pest control methods introducing non-native species; Monoculture favouring spread.

Key Dependencies	
Environmental Assets	**Ecosystem Services Relied upon by Palm Sector**
Terrestrial (land-based) ecosystems	• **Biomass provisioning:** Oil palm trees provide palm oil as a renewable biological resource. • **Soil and sediment retention, soil quality regulation:** Essential for maintaining plantation productivity and reducing erosion. Healthy soils ensure long-term agricultural viability for producers and smallholders, preventing land degradation that threatens livelihoods. • **Dependency on weevils for pollination:** Palms rely primarily on weevils for pollination, and a significant drop in weevil populations can severely impact bunch

	production and yield, while manual pollination is resource-intensive and costly.
Freshwater ecosystems	• **Water supply:** Required for irrigation and processing (e.g. milling). • **Water purification and flood mitigation:** Wetlands and riparian zones naturally cleanse runoff and buffer flood events. Loss of these services increases flooding risks and water contamination, affecting settlements and food systems.
Land	• **Soil and sediment retention, soil quality regulation:** Fundamental to site suitability and long-term agricultural viability.
Cultivated biological resources	• **Genetic material:** Dependence on selective breeding and high-yield oil palm cultivars.
Atmospheric systems (indirect but relevant)	• **Local and global climate regulation:** Stable rainfall patterns and microclimates are crucial for consistent yields and resilience. Climate disruptions affect harvesting cycles, reducing income stability for plantation workers and smallholders.

Palm oil production is heavily dependent on land and water resources, particularly in tropical forested areas. These natural assets provide the foundation for cultivation but are also at risk from expansion-driven deforestation and peatland drainage. The sector relies on key ecosystem services such as water regulation, nutrient cycling, and soil fertility to maintain productivity, while simultaneously placing pressure on these same services through fertiliser runoff, land clearing, and effluent discharge. Impact drivers such as land use change and pollution are directly linked to palm development practices, making them critical for assessing nature loss and reputational risk. Understanding these interconnections enables financial institutions to better evaluate the impacts of palm clients, their exposure to regulatory, physical and transition risks, and their operations within or adjacent to nature-sensitive areas.

Nature-related Risks

Physical Risks: Shifts in rainfall timing and intensity affect yields and increase the risk of flood and drought cycles. For plantations on peatlands, extended dry spells increase fire vulnerability and accelerate peat subsidence which can lead to drainage failure over time. The loss of pollinators and natural pest predators due to ecosystem degradation can reduce crop productivity and increase chemical reliance, reinforcing harmful ecological feedback loops.

Transition Risks: Regulations such as the EU Deforestation Regulation (EUDR), alongside the mandatory implementation of MSPO and ISPO, present material risks for non-certified and non-traceable crops. Growing investor and financier expectations (e.g. deforestation-free financing covenants, ESG risk screening) may increase financial risks and uncertainty.

Reputational Risks: The industry continues to face scrutiny from NGOs and the media due to environmental degradation and human rights concerns. Investigations by organisations such as Greenpeace and Amnesty International have prompted global buyer withdrawals, and heightened bank oversight and shareholder activism.

Liability Risks: Environmental harm such as haze pollution and illegal land clearance has led to lawsuits and transboundary tensions. Instances of encroachment into Indigenous territories without Free, Prior and Informed Consent (FPIC) can lead to legal and reputational consequences, including permit revocation and seizure of land in palm plantations located in protected areas.

Value Chain Cascade: Downstream processors, exporters, and FMCG brands are increasingly held accountable for upstream deforestation, labour violations, or emissions breaches. Contaminated supply chains can result in the loss of green certifications (e.g. RSPO Segregated), export bans, and investor divestment, disrupting global trade flows and food security.

Nature-Related Opportunities

Short Term (1-2 years)

- **Methane Capture:** Investment in methane capture from palm oil mill effluent delivers climate mitigation benefits and enables renewable energy generation. **CIMB can encourage adoption with financial incentives and technical support to help scale adoption among mill operators.**
- **Traceability and Transparency:** Strengthening traceability systems and supply chain transparency supports compliance with NDPE commitments and emerging regulatory requirements. **CIMB can enable this through financing for digital traceability platforms and satellite-based monitoring solutions.**
- **Replanting Support:** Supporting research and development into improved oil palm varietals with higher yields and greater resilience to climate variability, and promoting replanting with such varieties, can reduce pressure for land expansion and contribute to forest conservation. **CIMB can recognise these activities as eligible under sustainable financing mechanisms, complemented with environmental safeguards.**

Medium Term (3-5 years)

- **Regenerative Practices:** Adoption of regenerative agricultural approaches such as cover cropping, intercropping, and composting can improve soil health, enhance biodiversity, reduce chemical inputs, and boost yields. **CIMB can support these practices through financing structures that incentivise sustainable land management.**
- **Peatland Restoration:** Rewetting and restoring degraded peatlands, particularly in fire-prone regions like Central Kalimantan, offers opportunities to reduce greenhouse gas emissions, improve land resilience, and recover ecological function. **CIMB can finance these efforts through blended finance, green financing, or conservation-linked instruments.**
- **Agroforestry Integration:** Expanding agroforestry models that combine oil palm with native tree species or fruit crops can enhance ecosystem complexity, provide diversified income streams for smallholders, and support both nature and climate goals. **CIMB may fund such models through its Green, Social, Sustainable Impact Products and Services (GSSIPS) framework.**

Long Term (5+ years)

- **Jurisdictional Engagement:** Participation in jurisdictional or landscape-level initiatives enables coordinated efforts across conservation, community livelihoods, and supply chain assurance. **CIMB can align financing strategies with these initiatives and collaborate with key stakeholders to amplify collective impact.**

Case Study #1 – Rooted in Responsibility: CIMB's Palm Oil Transition

For CIMB, palm oil is both a critical sector and a sustainability priority.

- As of December 2024, palm oil accounts for 2.6% of CIMB's total lending portfolio.
- It is one of six sectors under CIMB's 2030 Net Zero targets, with a goal to reduce the emissions intensity of our financed palm oil portfolio by 16% by 2030 (from 1.81 to 1.52 tCO_2e per tonne of crude palm oil).

Challenges

The palm oil sector faces significant sustainability risks:

- Deforestation and Peat Conversion – Major drivers of emissions and biodiversity loss.
- Social Risks – Labour rights, land conflicts, and smallholder exclusion from sustainable supply chains.
- Market Pressures – Increasing global demand for certified sustainable palm oil and traceable supply chains.

CIMB's Approach: NDPE as the Foundation

Since 2022, CIMB has embedded No Deforestation, No Peat, and No Exploitation (NDPE) principles into financing requirements for all palm oil clients:

- **Deforestation Cut-Off Date**: 15 July 2022 for all clients.
- **Expanded Scope**: NDPE applies to client operations and third-party FFB suppliers.
- **Certification**: MSPO and ISPO compliance in Malaysia and Indonesia respectively; RSPO strongly encouraged.
- **Supply Chain Traceability**: Required down to plantation level for mills, manufacturers, and traders.
- **Human Rights Safeguards**: FPIC for new developments, prohibition of forced labour, and grievance mechanisms aligned with CIMB's Human Rights Policy.

Actions & Highlights

CIMB shared its strategy on Bloomberg's Global ESG Currents podcast, emphasizing:

- **Leadership on Targets** – First bank globally to set SBTi-aligned palm oil portfolio decarbonisation targets.
- **Integrated Risk Management** – NDPE and human rights embedded into credit processes.
- **Nature as Credit Risk** – Recognising ecosystem degradation as a financial risk driver.

- **Financing Nature-Based Solutions** – ASEAN (led by Malaysia and Indonesia) holds 18% of global nature-based carbon potential, creating opportunities for carbon markets and biodiversity projects.
- **Driving Market Demand** – Advocating for stronger price signals and procurement of certified sustainable palm oil to incentivise best practices.

Impact and Outlook

By embedding NDPE principles and aligning with global standards, CIMB aims to:

- Reduce emissions intensity in line with its Net Zero commitments.
- Strengthen portfolio resilience by addressing environmental and social risks.
- Catalyse sustainable palm oil supply chains and nature-positive financing opportunities.

Preliminary strategy

Risk Management and Sector Requirements: CIMB applies a set of baseline expectations across all high-risk sectors, including palm oil, under its Sustainable Finance Framework. These expectations cover compliance with national regulatory requirements, integration of environmental and social safeguards, and alignment with certification standards such as the Malaysian Sustainable Palm Oil (MSPO) and Indonesian Sustainable Palm Oil (ISPO) schemes. Both MSPO and ISPO mandate High Conservation Value (HCV) assessments and the protection of riparian buffer zones, helping to conserve nature and safeguard water resources within plantation areas.

CIMB embeds No Deforestation, No Peat, No Exploitation (NDPE) principles in credit assessments for palm oil clients. This requirement is not limited to upstream growers but extends to refiners, processors, and traders. We leverage data from certification disclosures, such as the RSPO Annual Communication of Progress (ACOP), to assess NDPE alignment across the value chain. As a critical lever for achieving our net zero target for palm oil-related financing, the NDPE approach enables us to address ecosystem conversion, peatland degradation, and exploitation risks across multiple value chain stages.

Clients with identified material environmental and social risks are requested to agree to timebound action plans. These plans may include phasing out peatland use, remediating past deforestation, improving labour standards, or enhancing supply chain traceability. The implementation of such plans is monitored through ongoing due diligence and used to inform client risk classifications and client engagement.

We emphasise the importance of Free, Prior and Informed Consent (FPIC), particularly for new developments near or within Indigenous and community lands. In practice, we request evidence of meaningful engagement with affected communities as part of the FPIC process for new developments, recognising that obtaining direct evidence of full FPIC can be challenging in certain contexts. In addition to FPIC, clients are expected to have policies addressing human rights risks, such as fair labour practices, equitable land tenure arrangements, and access to grievance mechanisms. These requirements are integrated into our Enhanced Sustainability Due Diligence (ESDD).

Opportunities in Sustainable Palm Oil: CIMB actively supports the financing of methane capture facilities for palm oil mill effluent. These technologies reduce emissions and generate renewable

energy, offering both climate and economic benefits. Such projects can be supported through green financing.

We are also scaling nature-aligned finance to support land conservation, restoration, and regenerative production practices. This includes developing financing mechanisms linked to verified conservation outcomes, as well as integrating nature-related risk screening into product design and eligibility frameworks.

To address the broader sustainability challenge in the palm oil sector, CIMB is exploring solutions within the circular economy. This includes financing companies like Fathopes Energy, which produces biofuels and oleochemical feedstocks from used cooking oil and palm-based waste streams. By reducing reliance on virgin palm oil and promoting resource efficiency, these investments help lower land use pressure and contribute to decarbonisation.

Client Engagement and Partnerships: CIMB is actively engaging priority client groups across the palm oil value chain to improve supply chain traceability, strengthen NDPE implementation, and increase certification uptake. This targeted engagement supports clients in meeting evolving regulatory and buyer expectations, while de-risking our financing portfolio.

We collaborate with partners such as Wild Asia to strengthen smallholder capacity, helping independent farmers gain access to technical assistance, certification pathways, and market opportunities. This work supports inclusive economic development and ensures that sustainable practices extend beyond industrial plantations to the broader base of the sector.

Regionally, CIMB contributes to initiatives such as the ASEAN Haze-Free Sustainable Financing Working Group, aligning financial sector actions with regional environmental priorities. These include sustainable land use, transboundary haze prevention, and enhanced accountability within commodity supply chains.

Through these efforts, CIMB continues to strengthen its role in advancing sustainable palm oil production while safeguarding nature, promoting social equity, and aligning with national and international climate targets.

Case Study #2 – "Palm" Before the Storm: Risky Expansion into a Key Biodiversity Area

In 2024 CIMB was approached by a client seeking financing for an agriculture-linked development project. As part of our due diligence process, we will first check whether the proposed site falls within or encroaches into a Key Biodiversity Area (KBA), a globally recognised designation critical to the conservation of biodiversity. These include Important Bird and Biodiversity Areas (IBAs), Alliance for Zero Extinction (AZE) sites, and other KBAs that serve as vital habitats for endangered or endemic species and sensitive ecosystems.

Further screening using the WWF Risk Filter classified the site as having high physical and reputational risk. Physically, the project posed risks related to ecosystem degradation, biodiversity-related disruptions, and the potential for future regulatory constraints, all of which could undermine the long-term viability of operations. Reputationally, the presence within a high-conservation-value landscape increased the likelihood of scrutiny from NGOs, investors, regulators, and sustainability rating agencies. Concerns also arose regarding the potential loss of

flora and fauna due to land encroachment, raising questions about the client's biodiversity safeguards and their long-term environmental stewardship.

As a result of these discussions and due diligence, it was determined that the proposed financing posed significant sustainability-related risks:

Deforestation Risk

- Drone images provided showed approximately 90% of the project area consisted of mature forests.
- CIMB's deforestation and biodiversity risk assessments indicated that the project location is not within or near key biodiversity areas. However, development would result in extensive deforestation, with a high likelihood of violating CIMB's NDPE commitment.

Human Rights Risk

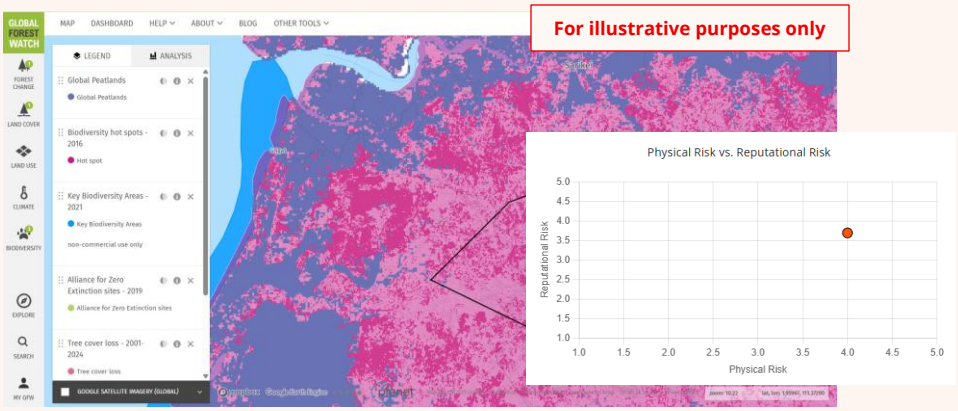
- Employment contracts contained a clause that terminated the contracts of female workers found to be pregnant, breaching fundamental human rights principles.
- There was insufficient evidence of Free, Prior and Informed Consent (FPIC) from local communities for development, raising concerns over community rights and engagement.

Operational Risk

- Only a small fraction of the client's planted area was certified under MSPO.
- No prior HCV assessment was conducted in new planting activities post 31 December 2019, making it unlikely for the company to achieve the 100% MSPO certification, as required by CIMB for financing of oil palm plantations in Malaysia.

It was discussed and concluded that this transaction posed high reputational and credit risk, due to significant sustainability concerns, including nature, human rights issues, and operational gaps. Given these risks, CIMB declined the application for financing, reinforcing its commitment to stringent due diligence and sustainability in high-risk sectors.

This case reflects CIMB's application of enhanced biodiversity safeguards and demonstrates how nature considerations are embedded in our decision-making, alongside other cases where we have supported clients in strengthening their environmental action plans – underscoring our balanced approach to managing nature-related risks across the portfolio.



Sectorial Assessment: Forestry

Sector Overview

The forestry sector has been prioritised in CIMB's nature assessment due to its significant ecological footprint, strong links to climate regulation, and its socio-economic relevance in Malaysia and the wider region. As a key land-based sector, forestry plays an important role in supporting rural livelihoods, contributing to the national bioeconomy, and supplying raw materials for domestic use and export. However, unsustainable logging practices, land use conflicts, and weak forest governance have historically contributed to deforestation, habitat fragmentation, and the loss of high conservation value ecosystems. These pressures not only threaten nature but also compromise essential ecosystem services such as carbon sequestration, watershed protection, and soil stability. At the same time, the sector presents opportunities to strengthen environmental performance through responsible forest management, enhanced traceability, and the restoration of degraded landscapes.

Value Chain Analysis

Upstream forestry activities, namely growing and harvesting, have very high dependencies and impacts, driven by reliance on intact forest ecosystems, water regulation, and climate services, while contributing significantly to deforestation and habitat loss. Midstream activities like processing of raw wood show medium dependencies and impacts due to energy and chemical use. Downstream activities such as manufacturing and selling finished wood products have low dependencies but retain moderate impacts through energy consumption and sourcing practices.

 Growing & harvesting		 Transport & processing raw wood into materials		 Manufacturing & selling finished wood products	
Dependencies	**Impacts**	**Dependencies**	**Impacts**	**Dependencies**	**Impacts**
Very High	**Very High**	**Medium**	**Medium**	**Low**	**Medium**

*Key: **Very High (VH) High (H) Medium (M) Low (L) Very Low (VL) Not Applicable (NA)**

Nature Interface

In the forestry sector, identifying impact drivers, environmental assets, and ecosystem services helps assess the financial risks of operations and the risks associated with deforestation, loss of flora and fauna, and land degradation.

Key Impacts	
Impact Drivers (Caused by Sector Activities)	**Environmental Assets Affected**
Land / freshwater / ocean use change	• **Terrestrial ecosystems:** Loss of natural forests, fragmentation of habitats, and degradation of flora and

(e.g. logging, forest conversion to plantations)	fauna, leading to declines in species populations and ecosystem resilience. • **Land:** Soil erosion and slope instability from road-building and harvesting activities, which also disrupt wildlife movement; increased erosion and landslides threaten community safety and agricultural land. • **Freshwater ecosystems:** Altered stream flows and degraded water quality from deforestation, reducing habitat for aquatic fauna; declining water availability and contamination impact drinking supplies and small-scale fisheries.
Resource use / replenishment (e.g. overharvesting of timber)	• **Cultivated biological resources:** Pressure on forest genetic diversity. • **Terrestrial ecosystems:** Depletion of standing biomass. Overharvesting undermines long-term timber availability for local communities and smallholders who depend on wood for fuel and income.
Pollution / pollution removal (e.g. sediment runoff, slash-and-burn haze)	• **Freshwater ecosystems:** Siltation from logging roads reduces aquatic habitat quality. • **Atmospheric systems:** Smoke and GHG emissions from uncontrolled burning. Smoke and haze pose severe health risks and disrupt livelihoods, including tourism and agriculture.
Climate change (e.g. emissions from deforestation and land degradation)	• **Atmospheric systems:** Increased carbon emissions from forest clearing. • **Rainfall Patterns:** Changing rainfall patterns affect farming, water security, and forest-based livelihoods.
Invasive alien species introduction / removal (e.g. fast-growing exotics)	• **Terrestrial ecosystems:** Replacement of native forest with monoculture species alters ecological function.

Key Dependencies	
Environmental Assets	**Ecosystem Services Relied upon by the Forestry Sector**
Terrestrial (land-based) ecosystems	• **Biomass provisioning:** Timber and non-timber forest products (NTFPs) such as rattan, medicinal plants, etc. Provides income and subsistence for indigenous and rural communities. • **Carbon storage, nursery population and habitat maintenance:** Forests store carbon, support biodiversity, and maintain ecosystem stability.
Freshwater ecosystems	• **Water purification and flood mitigation:** Critical for sustaining downstream ecosystems. Supports safe drinking water and irrigation for communities.
Land	• **Soil and sediment retention, soil quality regulation:** Helps maintain slope stability and productivity (i.e. Transportation routes). Protects farmland and settlements from soil erosion and floods.

Cultivated biological resources	• **Genetic material:** Sourcing of native and improved tree species for replanting or restoration

This sector is fundamentally dependent on terrestrial ecosystems, particularly tropical and temperate forests, which serve as the primary sources of timber and non-timber forest products. Forestry operations, especially selective and industrial-scale logging, rely on healthy soil systems, climatic stability, and a biodiverse forest structure to maintain timber yields in the medium term. Tropical forests in Malaysia and Indonesia provide much of the raw material, yet they are ecologically sensitive landscapes. These ecosystems also deliver critical services such as carbon sequestration, erosion control, and microclimate regulation.

Overharvesting of timber, forest conversion, and infrastructure expansion are key impact drivers, often resulting in habitat loss and soil disturbance. In Southeast Asia, these impacts are particularly acute in areas containing high conservation value forests or community-managed lands. The establishment of invasive or monoculture tree plantations can further reduce ecological integrity. Logging directly alters terrestrial ecosystems, affecting slope stability, hydrological patterns, and harming flora and fauna, often with long-lasting or irreversible consequences.

By understanding how forestry companies both depend on and affect natural systems, we can better assess the long-term viability of forestry assets, the robustness of forest management practices, and clients' exposure to supply chain scrutiny linked to deforestation and legal pitfalls.

Nature-related Risks

Physical Risks: Logging reduces canopy cover, which reduces evapotranspiration and reduces local rainfall. In steep terrains such as those in Sabah, deforestation exacerbates the risk of landslides and flooding. Habitat fragmentation also undermines the resilience of forest ecosystems to pests and climatic extremes.

Transition Risks: The EU Deforestation Regulation, alongside the increasing demand of FSC and PEFC certification standards, imposes stricter compliance requirements and may restrict market access for uncertified operators. Buyers, financiers and regulators are increasingly requiring wood and pulp legality verification systems to mitigate sourcing and reputational risks.

Reputational Risks: High-profile deforestation cases have attracted significant public criticism and have led to terminated trade relationships, downgrades in ESG indices and divestment by responsible investors.

Liability Risks: Companies found operating without licenses, engaging in illegal logging, or breaching Free, Prior and Informed Consent requirements may face legal action, fines, or regulatory sanctions under environmental legislation and Indigenous rights frameworks.

Value Chain Cascade: Downstream actors such as processors, traders, retailers and construction firms are increasingly held accountable for upstream sourcing. Reputational risk can extend to multinational brands and exporters that are unable to demonstrate deforestation-free and legally sourced supply chains, resulting in restricted market access and loss of investor confidence.

Nature-Related Opportunities

Short Term (1-2 years)

- **Forest Certification Readiness:** Accelerating readiness for sustainable forest management certification, such as FSC or PEFC, allows clients to meet international market expectations while improving ecosystem outcomes. **CIMB can provide financial support for certification-related costs and capacity building.**
- **Fire Prevention Systems:** Integrated fire prevention systems, including remote sensing technologies and community patrols, can be linked to financing conditions or incorporated into sustainability-linked financing structures to reduce physical and reputational risks.
- **Non-Timber Forest Products:** The expansion of non-timber forest product (NTFP) value chains, including rattan, bamboo and wild honey, offers livelihood opportunities for forest-dependent communities while maintaining standing forests. **CIMB can provide working capital, aggregation finance and export facilitation to support these enterprises.**
- **Carbon Market Integration:** Integration into voluntary carbon markets, including REDD+ and jurisdictional offsetting schemes, creates opportunities to monetise forest conservation and reforestation through verified carbon credits. Projects that deliver multiple nature co-benefits such as biodiversity protection, water regulation, and community livelihood support can command higher market value and attract premium pricing. **CIMB can leverage this opportunity by providing carbon project financing and technical assistance through strategic partnerships.**

Medium Term (3-5 years)

- **Nature-Based Tourism:** Nature-based tourism models, including ecotourism and community-led forest conservation zones, generate recurring income with minimal ecological disruption. **CIMB can support these efforts through financing and partnerships with tourism-linked conservation initiatives.**
- **Sustainable Wood Innovation:** Innovation in sustainable wood products, including engineered timber for low-carbon construction, opens new value chains and supports decarbonisation goals. **CIMB can offer finance and facilitate market entry for businesses in this area.**
- **Community Forestry Models:** Community forestry models that grant land stewardship rights to Indigenous peoples and local communities can deliver measurable biodiversity gains and inclusive economic outcomes. **CIMB can support these through financing for community-led forest enterprises and cooperatives.**
- **Forest Landscape Restoration:** Forest landscape restoration (FLR) and assisted natural regeneration can help restore degraded ecosystems, enhance carbon sequestration, reconnect fragmented nature corridors, and unlock ecosystem service payments through carbon or nature credits. **CIMB can support these initiatives through blended finance solutions and outcome-linked instruments.**

Preliminary strategy

Risk Management and Sector Requirements: CIMB applies a consistent baseline across high-impact sectors, including forestry, with core expectations around compliance with national legal frameworks, environmental permits, and sectoral regulations. For export-oriented operations, clients are encouraged to hold credible sustainability certifications such as Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC), in line with international standards.

Clients operating near ecologically sensitive zones are highly encouraged to undertake biodiversity assessments or High Conservation Value (HCV) assessments before financing. CIMB has also strengthened internal risk screening through the use of spatial indicators, including proximity to Key Biodiversity Areas (KBAs), peatlands, and Ecologically Sensitive Areas (ESAs), which inform credit decisions and enhance nature risk awareness across the portfolio.

These assessments help identify and mitigate environmental risks early in the project lifecycle. Where due diligence identifies gaps or weaknesses in managing material risks, such as exposure to deforestation, illegal logging, or land governance issues, CIMB may require clients to implement timebound action plans to mitigate risks. These are evaluated as part of our ongoing due diligence and are used to track client improvements over time.

Opportunities in Sustainable Forestry: CIMB actively supports clients in achieving or maintaining sustainability certifications by offering working capital and term financing. These services are tailored to ensure alignment with market access requirements and environmental performance standards. Beyond certification, clients are encouraged to adopt no-conversion commitments and to pursue forest restoration or enrichment planting where feasible.

We are exploring and working with clients on nature-based carbon financing, including innovative financial instruments such as sustainability-linked loans, conservation-linked finance, and green bonds that support forest conservation, ecosystem restoration, and sustainable livelihoods. Our EcoSave Savings Account-i supports projects like the Langur Wildlife Crossing in Penang, which reconnects fragmented habitats, and watershed conservation efforts in Sabah that safeguard freshwater ecosystems and enhance local resilience.

Client Engagement and Partnerships: CIMB contributes to national biodiversity policy development through our participation in the National Business Advisory Group on the implementation of Malaysia's NBSAP, offering financial sector perspectives on nature mainstreaming. We have also signed a Memorandum of Understanding with Bursa Carbon Exchange (BCX) to support the development of a domestic carbon market ecosystem in Malaysia. One of the aims of this partnership is to scale up nature-based solutions and facilitate financing and distribution of verified carbon credits, including forest conservation and restoration projects.

Case Study #3 – Root of the Issue: Forestry, Compliance, and Conservation Risk

A client operated across three forestry-related activities: plywood manufacturing, Forest Management Units (FMUs), and Forest Plantation Management Units (FPMUs). The FMUs managed a mix of natural and planted forests, while FPMUs focused on industrial timber

plantations. Several sites were in ecologically sensitive areas, requiring strict compliance with land use and forest management standards to prevent illegal logging and biodiversity loss.

This client was onboarded prior to CIMB introducing its NDPE policy. However, during subsequent reviews, CIMB identified gaps in sustainability practices that posed material transition and reputational risks. Non-compliance could restrict market access for companies unable to meet these standards. Additional concerns included the absence of a formal NDPE commitment, ongoing land clearing issues, and limited supply chain transparency. Biodiversity risks from land conversion in sensitive areas further raised questions about environmental impacts.

In response, CIMB engaged with the client and imposed an Action Plan aimed at addressing the identified gaps. The plan included:

- Developing and adopting a formal NDPE policy covering forest clearance, peatland use, and FPIC considerations.
- Pursuing sustainability certifications such as FSC or PEFC to demonstrate good practice and credibility with stakeholders.

Action Plan progress was reviewed the following year, and although initial steps were taken, including drafting an NDPE policy and starting certification discussions, several key commitments remained outstanding. The client requested an extension, and CIMB issued a formal reminder while maintaining active engagement and ongoing monitoring. If significant gaps remain unresolved, the client may be placed on CIMB's Watchlist for enhanced oversight, which will also preclude the client from further financing until issues are satisfactorily addressed.

Sectorial Assessment: Power

Sector Overview

The power sector is a strategic enabler of national development and decarbonisation. As a backbone of economic development, it supports industrial activity, better living standards, and digital infrastructure. In Malaysia and across the region, the sector is expected to expand significantly due to rising electricity demand driven by increasing economic activity, population growth, and the ongoing shift towards electrification across the transport, manufacturing, and residential sectors.

The power sector is heavily dependent on natural capital, particularly land, water, and climate stability, and is associated with a range of nature risks. Thermal and hydropower assets, in particular, can significantly alter terrestrial and aquatic ecosystems through land clearing, water diversion, and emissions. These impacts may threaten sensitive habitats, disrupt ecosystem services, and pose regulatory and reputational risks, especially where infrastructure overlaps with protected areas or community-managed landscapes.

As the sector grows, managing interfaces with nature will be essential to ensuring long-term system resilience, regulatory compliance, and financial outcomes.

Value Chain Analysis

The power sector demonstrates varied nature-related dependencies and impacts across its value chain, depending on whether electricity is generated from fossil fuels or renewable sources. Fossil fuel extraction is highly dependent on land, water, and stable climatic conditions, with very high environmental impacts. These include deforestation, land degradation, water contamination, and greenhouse gas emissions. In Southeast Asia, where coal and gas remain widely used, such impacts are intensified by proximity to ecologically sensitive or community-managed areas. In contrast, renewable energy sources such as solar and wind have lower extraction-related dependencies, although hydropower and geothermal systems rely on water flows and subsurface conditions (such as heat, pressure and permeability) respectively, introducing moderate to high dependencies.

Midstream infrastructure supporting both fossil fuel and renewable systems, such as pipelines, substations, transformers, and inverters, generally has low ecological dependency but can still result in moderate impacts. Fossil-based infrastructure often leads to land disturbance, leak risks, and pollutant emissions from combustion or flaring. While renewable midstream systems typically have a smaller physical footprint, the development of access roads, fencing, and associated facilities can still fragment habitats or encroach on sensitive landscapes if not properly managed.

Electricity generation and delivery show high dependencies and impacts, particularly in thermal and hydropower systems. These facilities consume large volumes of water, release air pollutants and thermal effluent, and may alter river systems or coastal zones, leading to ecosystem disruption and reduced biodiversity. Although renewable generation avoids direct emissions, it is not impact-free. Large hydropower dams can drastically modify aquatic ecosystems and displace communities, while wind farms may affect bird and bat populations, and solar farms can lead to localised habitat loss. Transmission lines for both types of systems may intersect with areas of high conservation value, requiring spatial planning and mitigation measures.

As electricity demand rises in line with economic development and electrification, it is increasingly important for the power sector to manage its environmental footprint. This involves not only minimising resource intensity and ecological disruption, but also strengthening biodiversity safeguards, integrating spatial risk data into project planning and monitoring, and enhancing resilience across the value chain.

 Fuel extraction**		 Energy infrastructure: Transport & conversion		 Electricity generation & delivery of utility services**	
Dependencies	**Impacts**	**Dependencies**	**Impacts**	**Dependencies**	**Impacts**
High	**Very High**	**Low**	**Medium**	**High**	**High**

*Key: **Very High (VH) High (H) Medium (M) Low (L) Very Low (VL) Not Applicable (NA)**

** The results reflect the highest ratings across the sector, since dependencies and impacts vary by power type.

Nature Interface

Power generation depends on natural resources such as water, land, and a stable climate. Key environmental assets include freshwater ecosystems for cooling and hydropower generation, land for infrastructure, and the atmosphere for emissions absorption. In Southeast Asia, where many power plants are located near rivers or urban centres, intact forests in upstream watersheds play a critical role in regulating water flow and controlling sediment, which is essential for hydropower operations.

Fossil fuel-based systems have high dependency on land, water, and climate stability, with very high impacts. Thermal power plants consume large volumes of water and emit greenhouse gases and air pollutants, contributing to climate change and degrading local ecosystems. Their dependence on stable atmospheric and water regulation services is compromised by the pollution they generate.

Renewable energy systems vary in their dependencies. Solar and wind have lower ecological dependency but still require suitable land and weather conditions. Hydropower and geothermal systems rely heavily on consistent water supply or heat flow. Poor siting of renewable projects can lead to habitat disruption, especially with hydropower altering river systems or wind farms affecting bird and bat populations.

Across the value chain, the power sector contributes to pollution, resource depletion, and loss of flora and fauna to varying degrees. Transmission infrastructure often crosses natural landscapes, fragmenting habitats and ecosystems. As electricity demand continues to rise, it is vital for the sector to manage environmental dependencies and reduce ecological impacts in order to support long-term commercial viability and resilience.

For CIMB, assessing these interactions is crucial to evaluating physical and transition risks, especially as policy shifts and decarbonisation targets place increasing pressure on fossil fuel-dependent operations.

Key Impacts	
Impact Drivers (Caused by Sector Activities)	**Environmental Assets Affected**
Pollution (e.g. emissions, thermal discharge, waste)	• **Freshwater ecosystems:** Thermal discharges harm aquatic life and reduce oxygen content. High water withdrawal impacts freshwater habitats. • **Atmospheric systems:** Emissions of GHGs and particulates from fossil fuels affect air quality.
Resource use/replenishment (e.g. cooling water, fuel use)	• **Freshwater ecosystems:** Excessive water withdrawal impacts aquatic habitats. • **Mineral and energy resources:** Depletion of fossil fuel stocks and pressure on supply chains. Fuel price volatility impacts energy costs for consumers.
Climate change (e.g. fossil fuel combustion emissions)	• **Atmospheric systems**: Major contributor to global warming through CO_2, CH_4, and N_2O
Land/freshwater/ocean use change (e.g. land clearing for infrastructure)	• **Land and terrestrial ecosystems**: Habitat loss and fragmentation from siting power plants and grids. Land acquisition for plants and grids can lead to displacement and loss of access to resources.
Invasive species introduction/removal (minor relevance)	• *Could occur in reservoirs or via construction, though not commonly material.*

Key Dependencies	
Environmental Assets	**Ecosystem Services Relied upon by the Power Sector**
Freshwater ecosystems	• **Water supply** for thermal cooling of power plants and for hydropower operations. • **Water purification, flood mitigation, sediment retention** from wetlands and riparian buffers. • **Overuse** can limit water for households and agriculture, creating local conflicts.
Atmospheric systems	• **Global and local climate regulation, air filtration** to support operational resilience and emission dispersion.
Land and soil systems	• **Soil and sediment retention** is critical for infrastructure stability and preventing erosion. Land degradation increases disaster risk, threatening settlements.
Mineral and energy resources	• **Biomass and fossil fuels provisioning** for coal, gas, oil, uranium for generation, woodchips for bioenergy.

Nature-related Risks

Physical Risks: Nature-related physical risks in the power sector vary significantly depending on the generation type. Hydropower systems are highly sensitive to climatic and land use changes in upstream catchment areas. Stable water flow is critical for generation efficiency, and any disruption, such as prolonged drought, erratic rainfall, or upstream deforestation, can reduce generation

capacity. In particular, deforestation in catchment areas leads to soil erosion and sedimentation in reservoirs. This reduces storage capacity, affects turbine efficiency, and increases maintenance costs. Sediment buildup may also reduce the operational lifespan of dams and heighten flood risks during periods of heavy rainfall.

Fossil fuel-based generation has lower direct nature dependency but still faces physical risks related to water scarcity. Thermal power plants rely heavily on water for cooling, and seasonal variability in water availability can strain operations. These risks are most pronounced during droughts or in areas with competing water demands. In locations with ageing infrastructure or insufficient water resource planning, reduced output, temporary shutdowns, or increased regulatory costs may occur.

Transition Risks: The regional energy transition is accelerating, supported by national net zero roadmaps and international initiatives such as the Just Energy Transition Partnership. As countries move away from fossil fuels, fossil-based power producers face rising risks of stranded assets, exclusion from green investors, and exposure to carbon pricing. Gas-fired power is often viewed as transitional, but investor scrutiny is increasing, especially as sustainability frameworks become more stringent. Power companies that fail to diversify may face long-term credit and reputational risks.

Reputational Risks: Power projects located near ecologically sensitive areas, including protected watersheds, forested catchments, and Indigenous territories, are increasingly subject to public and stakeholder scrutiny. Large-scale infrastructure, such as hydropower dams and solar farms, can generate community opposition due to land use change, environmental concerns, or lack of proper consultation. Reputational risks are highest where operations overlap with high biodiversity value areas or have inadequate engagement with affected communities.

Liability Risks: Operators that fail to manage pollution, water use, or social impacts may face regulatory and legal consequences. These include penalties for non-compliance with environmental assessments, improper displacement of communities, or unmitigated wastewater and sediment discharge. Legal action, fines, suspended permits, and reputational damage are increasingly likely in jurisdictions with stronger environmental and social enforcement.

Value Chain Cascade: Power players with fossil-heavy portfolios or limited transition plans risk losing access to green capital, procurement opportunities, and long-term power contracts. Public agencies and corporates are seeking cleaner, traceable electricity sources to meet their own sustainability goals. As global expectations rise, countries with carbon-intensive grids may become less attractive to foreign investors and multinational supply chains.

Case Study #4 – Making Waves and Catching Rays: From Hydro to Solar

Hydropower has long been championed as a reliable renewable energy source. Its positives are clear: it generates electricity without direct combustion emissions, provides a consistent and dispatchable power supply, and can deliver co-benefits such as flood control, irrigation, and water supply. Large reservoirs can also support tourism, fisheries, and other local economic activity.

However, hydropower comes with significant trade-offs. The creation of reservoirs often floods vast areas, leading to habitat loss, forest clearance, and displacement of communities. Aquatic ecosystems are altered through sediment trapping, changes in water temperature and oxygen

levels, and reduced downstream nutrient flow. In tropical regions, reservoirs can also emit methane and carbon dioxide from decomposing biomass.

A large dam in Malaysia illustrates these benefits and challenges. Built in the mid-1980s, it created **Southeast Asia's largest man-made lake**, serving multiple purposes beyond power generation, including flood mitigation, water supply, and tourism. While it remains a critical part of the national grid, its development altered both terrestrial and aquatic ecosystems, with long-term biodiversity impacts still being managed today.

In 2025, the site entered a new phase with the launch of a **Hybrid Hydro Floating Solar project**. The pilot comprises 220 solar panels covering just over 1,000 square metres of reservoir surface. The addition of floating solar offers new positives: daytime solar generation allows water to be conserved for peak or low-sunlight periods, evaporation losses are reduced, and the cooling effect of the water boosts panel efficiency.

Yet, floating solar also introduces its own unique considerations. Large arrays can shade the water, potentially affecting aquatic vegetation and plankton. The structures require careful placement to avoid ecologically sensitive zones and must be designed to withstand changing water levels and weather extremes. As with the dam itself, scaling the solar component will require balancing energy output with biodiversity protection and community interests, showing that even in hybrid renewable systems, careful planning and environmental stewardship remain essential.

Nature-Related Opportunities

Short Term (1-2 years)

- **Nature-Conscious Siting:** Renewable energy siting that avoids critical habitats and migratory paths supports alignment with both net-zero targets and Global Biodiversity Framework goals. **CIMB can incorporate this as an additional screening factor for assessing green finance eligibility.**
- **Pollinator-Friendly Solar:** Solar farms that incorporate native vegetation or ecological buffers can deliver both operational and nature benefits, such as local cooling as well as reducing dust and erosion. **CIMB can recognise and encourage these interventions under green or sustainability-linked finance frameworks.**
- **Ecological Offset Financing:** Financing mechanisms for construction phase residual biodiversity impacts, such as performance bonds or conservation-linked facilities, can promote accountability and positive ecological outcomes. To maintain integrity, ecological offset financing must ensure additional biodiversity value, long-term protection, independent verification, and inclusive engagement with local and Indigenous communities; Despite this, these mechanisms should only be used for unavoidable residual impacts, and as a last resort.

Medium Term (3-5 years)

- **Nature-Inclusive Design:** Hydropower designs that include fish passages, sediment flushing systems, and planned water releases that mimic natural river flows can reduce nature loss

while maintaining energy output. **CIMB can embed these design features into its project due diligence considerations.**

- **Water Security Solutions:** Nature-based interventions, including reforestation and catchment protection in hydropower basins, enhance water flow reliability, reduce sedimentation, and improve long-term asset performance. **CIMB can encourage clients to integrate these solutions into project finance or working capital financing.**
- **Green Infrastructure Investment:** Urban and coastal green infrastructure, such as mangrove protection and restoration to protect coastal power plants, enhances resilience to storms and sea-level rise while supporting ecosystem conservation. **CIMB can finance these investments through blended instruments.**
- **Degraded Land Repurposing:** Repurposing degraded land, such as post-mining sites, for renewable energy projects like solar farms improves land use efficiency and supports the clean energy transition. **CIMB can prioritise such developments in its project pipeline.**

Long Term (5+ years)

- **Catchment-Based Investment Models:** Integrated catchment financing, which brings together utilities, municipalities, and forestry actors within a shared watershed investment approach, can safeguard critical ecosystem services that underpin power system reliability, while creating local employment opportunities.

Preliminary strategy

Risk Management and Sector Requirements: CIMB has prioritised the power sector as part of our Net Zero roadmap, with an explicit focus on reducing exposure to coal mining and coal-fired power. This includes an emissions intensity reduction target aligned with the IEA Net Zero 2050 scenario for power generation, and phaseout pathways for thermal coal mining. We have already begun collecting asset-level emissions data from high-emitting clients to improve our baseline and tracking.

Our coal sector guide, which covers thermal coal mining and power, requires NDPE and encourages land rehabilitation. Clients undertaking LUC-linked developments are encouraged to conduct biodiversity assessments and adopt mitigation plans, either where required under an Environmental Impact Assessment or voluntarily as good practice

Opportunities in Low-Carbon Transition: CIMB is actively seeking to finance low-carbon power generation technologies and infrastructure aligned with a nature-aligned transition. Our focus includes renewable energy projects such as solar, battery storage, small-scale hydropower, and grid enhancements that improve energy access while minimising nature-related risks. These projects are encouraged to adopt safeguards such as maintaining natural river flows, implementing sedimentation control, and providing fish passages, where relevant, to reduce ecological disruption. We remain committed to supporting renewable energy development that avoids expansion into ecologically sensitive areas.

Client Engagement and Policy Development: CIMB is beginning to engage with high-emitting client groups in the power sector to support decarbonisation and promote responsible siting and infrastructure practices. Our engagement covers both climate risk alignment and emerging nature-related considerations. At a broader level, we contribute to sustainable finance policy efforts by

providing feedback on disclosure frameworks through platforms such as Bursa Malaysia and the Advisory Committee on Sustainability Reporting. These engagements help shape standards for nature-aligned financial practices and improve nature integration across the Malaysian banking sector.

Future work will focus on strengthening client due diligence frameworks, promoting best practices in renewable energy siting and design, and exploring financing instruments that reward nature-inclusive infrastructure planning.

Case Study #5 – "Watt's" the Risk? Nature Blind Spots in ASEAN's Power Sector

In the context of Malaysia and the broader ASEAN region, conducting biodiversity risk assessments for the power sector presents several practical challenges. Power generation assets in the region encompass a range of technologies, including coal, gas, hydro, solar, and biomass, and are often located in ecologically diverse and sensitive areas. Applying the expectations of the TNFD framework to this sector is currently constrained by several factors:

- **Asset--level data remains limited in availability:** Asset-level data remains limited in availability, which poses a significant challenge as nature-related risks and dependencies are highly location-specific. A single power company may operate multiple facilities across Peninsular Malaysia, Sabah and Sarawak, each with varying proximity to protected forests, peatlands, wetlands, or riparian zones. Transmission and distribution infrastructure adds further complexity, as networks often span large and ecologically diverse areas, crossing sensitive habitats and water bodies. Assessing risks solely at the parent company level may fail to capture these granular differences in environmental exposure across geographically dispersed assets.

- **Many companies have yet to disclose detailed geospatial or environmental information:** While some disclosures are emerging, particularly in response to Bursa Malaysia's sustainability reporting requirements, most power companies do not provide site-specific data on plant locations, surrounding land use, water sources, or proximity to ecologically sensitive zones such as Key Biodiversity Areas or Ramsar sites. Without such geospatially explicit information, it is difficult for financial institutions to assess exposure to nature-related risks.

- **Biodiversity governance involves multiple authorities:** In Malaysia, environmental oversight and land use planning fall under both federal and state-level jurisdictions. States such as Sarawak and Sabah apply their own regulatory frameworks and land management practices, which may differ from those in Peninsular Malaysia. Across the wider ASEAN region, power companies navigate varying biodiversity baselines, regulatory and disclosure standards, and mapping tools, reflecting the diverse institutional landscapes across jurisdictions.
- **Data collection remains resource-intensive for financial institutions:** In the absence of standardised disclosures, financial institutions are often required to conduct highly manual research to assemble plant-level data, overlay biodiversity maps, and estimate dependencies such as freshwater usage or ecosystem disturbance. This limits the

scalability of nature-related risk assessments for larger or more geographically complex portfolios.

Given these considerations, biodiversity risk assessment for the power sector for financial institutions in Malaysia and ASEAN remains nascent. Ongoing efforts to improve disclosure practices, standardise asset-level reporting, and expand access to geospatial data which is usable at scale, will be essential to support more effective alignment with TNFD recommendations in the future.

Sectorial Assessment: Oil & Gas

Sector Overview

The oil & gas sector is a cornerstone of Malaysia's economy, contributing substantially to national revenue, exports, and energy security. The sector includes and supports upstream and downstream industries across Peninsular Malaysia, Sabah, and Sarawak, with significant exposure in both offshore and coastal zones.

The sector depends on stable marine and terrestrial ecosystems for operational continuity, including seabed stability, water availability, and coastal infrastructure protection. At the same time, it exerts high environmental pressure – offshore drilling disrupts seabeds and risks marine pollution, while onshore activities can lead to soil erosion, water contamination, and loss of biodiversity.

Oil & gas is also one of the largest contributors to CIMB's financed emissions, particularly through Scope 3 downstream use of sold fuels. This makes the sector critical to CIMB's Net Zero transition efforts in addition to being a high priority for environmental risk management, especially in relation to nature-related impacts and long-term asset viability.

Value Chain Analysis

Oil and gas exploration and extraction have high dependencies on geological and water systems, and create very high environmental impacts through potential spills, land disturbance, and emissions, especially in ecologically sensitive offshore and coastal zones of Southeast Asia. Midstream activities, including transport and storage, reflect low dependencies and moderate impacts, typically from leakage and shipping-related risks. Refining and distribution have relatively low dependency on water and energy, but cause moderate impacts due to air and water pollution, particularly in regions with aging refinery infrastructure.

 Exploration & extraction		 Transport, storage & wholesale		 Refining, marketing & distribution	
Dependencies	**Impacts**	**Dependencies**	**Impacts**	**Dependencies**	**Impacts**
High	**Very High**	**Low**	**Medium**	**Low**	**Medium**

*Key: **Very High (VH) High (H) Medium (M) Low (L) Very Low (VL) Not Applicable (NA)**

Nature Interface

The oil & gas sector presents some of the most significant nature-related dependencies and impacts due to its extractive nature and large environmental footprint.

This sector depends on access to mineral and energy resources, often located in sensitive terrestrial or marine ecosystems. Offshore drilling affects marine shelves and seafloors, while onshore

operations are often situated in forested or rural areas. Oil & gas exploration in Southeast Asia's marine and coastal zones interacts with highly sensitive ecosystems such as mangroves, coral reefs, and seabeds. Exploration and drilling affect both land and ocean geomorphology and can alter marine biodiversity, which in turn disrupt ecosystems services that provide coastal and flood protection, which threatens stability of offshore and coastal infrastructure such as platforms and pipelines.

Key impact drivers include pollution from spills and flaring, land and ocean use change from exploration infrastructure, and climate change from high emissions. Environmental degradation, particularly from spills, emissions, and habitat disruption, is difficult to reverse and can severely affect fisheries and the livelihoods of coastal communities. In Southeast Asia, where ecosystems such as mangroves and coral reefs are highly sensitive, these risks are amplified, threatening both biodiversity and socio-economic resilience.

By understanding the sector's impact on environmental assets and its reliance on ecosystem functions, CIMB can assess regulatory risk, operational vulnerability, and the financial materiality of ecological degradation in oil & gas portfolios.

Key Impacts	
Impact Drivers (Caused by Sector Activities)	**Environmental Assets Affected**
Pollution (e.g. oil spills, gas flaring, discharge)	• **Marine ecosystems:** Contamination of reefs, seabeds, and coastal zones. Coastal and fishing communities lose income from fisheries. • **Atmospheric systems:** GHGs and particulates from flaring and combustion. • **Freshwater ecosystems:** Chemical leaks and wastewater discharge into rivers and aquifers.
Resource use/replenishment (e.g. water, fossil fuel extraction)	• **Freshwater ecosystems:** Local water scarcity in water-stressed extraction zones. Water shortages limit access for households and agriculture. • **Mineral and energy resources:** Rapid depletion of hydrocarbons.
Climate change (e.g. Scope 1 & 3 emissions from fossil fuel lifecycle)	• **Atmospheric systems**: CO_2, CH_4, and N_2O contribute significantly to global warming. Rising temperatures and sea-level rise threaten low-lying coastal settlements and disrupt agriculture-based livelihoods.
Land/freshwater/ocean use change (e.g. pipeline installation, offshore rigs)	• **Coastal and terrestrial ecosystems:** Disturbance from drilling pads, roads, ports. Land acquisition and offshore expansion displace local populations and restrict traditional fishing zones. • **Marine ecosystems:** Disruption of benthic habitats, spawning grounds.
Invasive species introduction/removal (e.g. ballast water discharge)	• **Marine ecosystems:** Spread of invasive species through vessel operations and offshore activities.

Key Dependencies	
Environmental Assets	**Ecosystem Services Relied upon by Oil & Gas Sector**
Marine ecosystems	• **Water purification, storm mitigation, carbon absorption** from mangroves, reefs, and seagrass. Healthy coastal ecosystems protect communities from storms and flooding, reducing disaster risk.
Terrestrial ecosystems	• **Erosion control, habitat maintenance** for onshore infrastructure zones. Loss of forest cover increases landslide risk near settlements and infrastructure.
Coastal and land geomorphology	• **Flood regulation, soil stability, the maintenance of habitats that support species populations** along pipeline routes; Degraded geomorphology can disrupt these functions and heighten flood risk in nearby villages.
Mineral and energy resources	• **Provisioning of fossil fuels:** Oil and gas for primary energy. Over-reliance on fossil fuel extraction can undermine local economic diversification, increasing vulnerability during market downturns.
Freshwater ecosystems	• **Water supply:** Drilling, refining, and maintenance activities rely on large volumes of water. High industrial water use reduces availability for domestic consumption and agriculture in extraction zones.

Nature-related Risks

Physical Risks: Offshore and coastline installations are increasingly exposed to typhoons, rising sea levels, and coastal erosion. Subsea infrastructure may be damaged by shifting sediment or seismic activity. Onshore terminals in low-lying zones face increased flood risk.

Transition Risks: Fossil fuel companies are subject to tightening disclosure standards (e.g. methane intensity tracking, disclosure of Scope 3 emissions, etc.), as well as increasing pressure from civil society and regulators to decarbonise. Investors and financiers are managing exposure to carbon-intensive clients, and transition finance is contingent on credible Scope 1–3 emission reduction targets and plans.

Reputational Risks: The oil & gas industry has been associated with several high-profile environmental incidents in Southeast Asia, which have triggered long-term financial, legal, and reputational consequences. For example, the 2023 Mindoro oil spill in the Philippines, caused by a privately operated vessel carrying industrial fuel oil, affected over 200,000 residents and caused extensive marine pollution across protected coastal areas. Similarly, in Singapore, a marine fuel spill near the Labrador Nature Reserve in 2024 raised public and media scrutiny over ecological impacts on intertidal zones and mangroves, prompting calls for tighter oversight. These events highlight the reputational vulnerabilities of the sector, especially where operations or accidents affect HCV areas or community livelihoods. Investors, regulators, and the public increasingly expect strong safeguards and transparent response measures when nature is at risk.

Liability Risks: Failing to secure FPIC, polluting fisheries, or harming coral reefs can result in lawsuits from both communities and governments under marine environmental regulations.

Value Chain Cascade Risks: Upstream failures in sustainability compliance reduce the viability of downstream activities such as refining, petrochemical manufacturing, and marketing. Contaminated raw materials, whether through impurities such as sulfur, heavy metals, or chlorides, or through ESG issues like oil sourced from spills, illegal extraction, or rights violations, can affect corporate ESG profiles, impair product traceability, and limit market access for oil-derived consumer goods.

Nature-Related Opportunities

Short Term (1-2 years)

- **Operational Transparency:** Voluntary disclosure of marine sensitive zones and biodiversity risks enhances trust and may improve insurance terms or credit ratings. **CIMB can support this through engagement with clients.**
- **Biodiversity Action Plans:** Early integration of biodiversity action plans (BAPs) during exploration and development phases enables proactive risk mitigation and helps avoid delays near sensitive ecosystems. **CIMB can promote BAP adoption through sustainability-linked financing conditions.**
- **Methane Leakage Mitigation:** Nature-based solutions, such as wetland restoration or biological buffering, offer innovative and cost-effective methods to address sequester carbon while benefiting biodiversity. **CIMB can encourage and support this with financing of these activities.**
- **Water Management Solutions:** The adoption of water reuse and zero-discharge systems reduces pollution risks and enhances environmental performance. **CIMB can prioritise these technologies through green, blue or transition-labelled finance.**

Medium Term (3-5 years)

- **Nature-Inclusive Infrastructure Transition:** Repurposing retired offshore platforms into artificial reefs has been applied in some regions to support marine biodiversity and local fisheries. While such initiatives are typically funded by operators and regulators rather than banks, there is an emerging opportunity for the financial sector to explore innovative financing models that enable nature-positive outcomes in end-of-life infrastructure projects.
- **Blue Carbon Protection and Restoration:** Projects involving mangrove or seagrass ecosystem protection and recovery deliver measurable nature and climate co-benefits and may qualify for carbon credit monetisation. **CIMB can co-finance such efforts with industry players, impact investors and public sector partners.**
- **Biodiversity-Linked Insurance:** Insurance schemes that reward operators with strong nature safeguards through premium reductions can be piloted. **CIMB may facilitate such partnerships within its portfolios.**

Long Term (5+ years)

- **Nature-Aligned Transition Planning:** Transition strategies that align with TNFD and TCFD frameworks can unlock access to sustainability-linked instruments, blended finance, and transition bonds tied to ecosystem outcomes.
- **Green Decommissioning Funds:** Industry-wide funds dedicated to standardised, nature-aligned retirement practices offer a collaborative solution. **CIMB can play a role as a structuring partner and financier.**

Preliminary strategy

Risk Management and Sector Requirements: CIMB has identified the oil & gas sector as a material contributor to financed emissions and a high-priority sector under our climate transition plan. Our strategy includes reducing emissions intensity in line with the IEA Net Zero 2050 scenario and improving data collection across Scopes 1, 2, and 3. We have begun collecting asset-level emissions data from major clients to strengthen portfolio baselining and identify high-impact assets.

CIMB currently applies enhanced due diligence for upstream oil & gas projects and has begun piloting the integration of spatial risk indicators, such as proximity to marine parks, coral reefs, or coastal wetlands into client reviews. Data availability remains a constraint, particularly for marine biodiversity, but we are working to improve this through use of third-party geospatial tools and potentially through targeted client engagement. To address nature-related risks, we expect our clients involved in crude petroleum and natural gas extraction to conduct Environmental Impact Assessments (EIAs) and implement Environmental Management Plans (EMPs). Our sector guidance also requires clients to put in place a Human Rights policy and promotes the reduction of methane emissions in alignment with the Oil & Gas Methane Partnership.

Opportunities in Low-Carbon Transition: CIMB is exploring financing opportunities that support the oil & gas sector's transition towards lower environmental impact. We are beginning to identify transition finance use cases that align with nature objectives like methane abatement projects. We are also assessing potential in blue carbon via protection and restoration, such as mangrove rehabilitation, which can generate both nature and community co-benefits and may be eligible for carbon credit monetisation. In parallel, we support financing for infrastructure upgrades that embed nature safeguards, including water reuse technologies, zero-discharge systems, and pollution controls. These can be financed through transition-labelled instruments that align emissions reduction goals with ecosystem protection.

Client Engagement and Policy Development: CIMB continues to engage with key oil & gas clients to promote responsible production, and is starting to include discussions on nature-integrated infrastructure planning and disclosures. This includes the early integration of biodiversity action plans (BAPs), voluntary disclosure of marine sensitive zones, and the alignment of transition plans with frameworks such as TNFD and TCFD. At the policy level, CIMB is co-developing a Sustainable and Transition Finance Guidance as part of its work under the Joint Committee on Climate Change (JC3), was in the VBIAF sectoral guide for oil & gas, and is involved in the development of CCPT2.0 which will include both nature and social considerations. These platforms enable us to support the development of standards for nature-aligned financial practices across the region.

Over time, we aim to strengthen client disclosure expectations and expand access to nature-aligned financing solutions. Our goal is to ensure that transition efforts in the oil & gas sector advance both decarbonisation and biodiversity resilience.

Case Study #6 – Crude Awakening – When the Tide Turned on Rights and Reefs

In 2013, a major oil spill off the coast of Rayong, Thailand, became one of the country's most high-profile environmental and human rights incidents linked to the oil & gas industry. Operated by a regional oil refining company, the pipeline leak discharged over 50,000 litres of crude oil into the sea, blackening coastlines and triggering a cascade of ecological and social impacts.

Local communities, particularly in Ao Phrao and the island of Koh Samet, were caught off guard as their livelihoods, health, and natural environment were thrown into crisis. What followed revealed the extent to which fossil fuel operations intersect with both biodiversity risk and human rights concerns.

Key Environmental and Social Impacts:

- **Long-term marine ecosystem degradation:** Oil coated coral reefs and seagrass beds
- **Livelihood loss:** Fisherfolk reported declines in catch for months. Tourism businesses, reliant on pristine beaches, faced immediate booking cancellations and revenue loss.
- **Health effects:** Locals and clean-up workers complained of headaches, rashes, respiratory issues, and toxic exposure. Many alleged they were not informed of the risks.
- **Community protests and legal action:** Civil society groups criticised the response effort and demanded greater transparency, reparations, and environmental restoration.

Legal and Institutional Response:

- The company paid compensation to the affected parties, but many argued it was insufficient and delayed.
- The case triggered national discussions on environmental governance, community consent, and corporate accountability in extractive industries.
- It exposed regulatory gaps, particularly in early warning systems, health protection, and biodiversity safeguards in offshore oil & gas operations.

Why it Matters:

This case underscores that oil and gas incidents in Southeast Asia are not just environmental events, but human rights issues, and highlights the importance of:

- Nature-inclusive risk assessments, particularly for offshore and nearshore operations in biodiversity hotspots.
- Free, Prior and Informed Consent when projects risk impacting coastal or Indigenous communities.
- Transparent response protocols and remedy pathways, including health and safety protection, and long-term ecosystem restoration.

For financial institutions, this case reinforces the importance of conducting robust due diligence that accounts for both ecological and social dimensions, particularly in regions with sensitive marine ecosystems and communities reliant on them.

4. Metrics and Targets

Establishing clear metrics and targets is essential for financial institutions to measure progress, manage nature-related risks, progress on opportunities, and align with global nature goals. They provide the foundation for informed decision-making, performance tracking, and transparent stakeholder communication. Without credible metrics, it is difficult to assess whether actions taken are leading to meaningful and measurable outcomes.

CIMB has undertaken several foundational steps to integrate nature considerations into our operations. These include double materiality assessments, and the incorporation of nature-related considerations into our policies, due diligence processes, KYC reviews and governance frameworks. Although CIMB has not yet established formal, quantified targets specifically for nature and biodiversity, a number of existing targets already encompass nature-related considerations. These include commitments under our Net Zero transition plan, sectoral decarbonisation pathways, and financing requirements for clients in high-risk sectors.

CIMB's Own Footprint	• Set target achieve net zero Scope 1 and 2 emissions for operations by 2030.
	• Disclosed waste and water related data and emissions, enhancing transparency on downstream environmental impacts. In 2024,
	  ○ Waste intensity averaged 303 kg per full-time employee.
	  ○ We used 0.495 million m³ of water across our operations.
	• Zero waste to landfill initiative successfully implemented at selected offices and branches in Indonesia, contributing to local ecosystem protection.

CIMB's Business Activities and Financing Portfolios	• Set a MYR300 billion sustainable finance target (GSSIPS) for 2021-2030, which includes financing linked to:
	  ○ Nature based carbon projects
	  ○ Sustainable agriculture and agroforestry
	  ○ Water infrastructure and catchment protection
	• Net Zero by 2050 target, which includes financed emissions, supporting nature-positive transitions in carbon-intensive sectors.
	• Scope 3 financed emissions 2030 decarbonisation targets cover 60% of our overall financed emissions, including nature-intensive sectors:
	  ○ Palm Oil: First bank globally to set a 2030 Net Zero target for the sector, aligned with SBTi pathways.
	  ○ Power: First Malaysian bank with a science-aligned emissions target.
	  ○ Oil & Gas: NZ 2050 aligned science-based target, with a commitment to no longer provide financing dedicated to new upstream oil fields.
	• Ongoing nature-related improvements tracked through client Action Plans (APs)
	  ○ In 2024, 7 APs were due, covering topics such as NDPE, deforestation, and HCV assessments.
	  ○ Of these, 4 APs were completed, and 2 are in progress to be completed.

Inclusive and Nature-Positive Outcomes

- Ranked #1 overall globally, #2 in Inclusive Finance and #7 for Respecting Climate and Nature among the top 400 global financial institutions by the World Benchmarking Alliance (2025 Financial System Benchmark), reflecting CIMB's broader commitment to equitable access and community impact.
- Ranked #1 globally among banks for the strength of our forest-related policies by Forests & Finance.
- Nature and social safeguards are increasingly embedded in client risk assessments, particularly where Indigenous rights, riparian zones, or sensitive forested ecosystems are at risk.

For further details, refer to our Sustainability Report.

CIMB has not yet established focused nature-related metrics and targets due to the current lack of global consensus on methodologies, limited availability of high-quality and comparable data, and the evolving nature of regulatory and market expectations in this area. Despite these challenges, CIMB is actively strengthening internal capabilities to enable robust, science-aligned disclosures and future target-setting.

We are currently exploring internal metrics to improve monitoring and client engagement, including tracking the percentage of clients with No Deforestation, No Peat, No Exploitation (NDPE) commitments in high-impact sectors such as palm oil and forestry, and encouraging improved emissions disclosures aligned with global standards. Other ongoing initiatives include engaging clients on sustainability compliance, monitoring global framework developments, and integrating nature-related indicators into CIMB's sustainability performance systems. Looking ahead, we are assessing process-level targets such as the proportion of high-risk transactions undergoing nature-related screening and the percentage of financed projects with biodiversity and emissions management plans.

These actions aim to improve data quality, enhance accountability, and position CIMB for alignment with emerging science-based targets for nature. We are also evaluating broader nature-related indicators aligned with the Kunming-Montreal Global Biodiversity Framework and TNFD-recommended metrics. Specifically, we are exploring how to effectively capture:

- Contribution to direct impact drivers of nature and biodiversity loss or degradation, including land-use change in terrestrial and freshwater ecosystems, water use, and pollution (e.g. agrochemical runoff, industrial effluents).
- Impacts on species, by assessing species extinction risks and proximity to Key Biodiversity Areas (KBAs).
- Impacts on the extent and condition of natural ecosystems, especially forested, riparian, and coastal habitats.
- Water stress and hydrological dependency, particularly in high-risk geographies such as plantation zones, peatlands, industrial zones, and hydropower catchment areas.
- Dependencies on ecosystem services, including pollination, erosion control, water filtration, and climate regulation.

To support these efforts, we are currently evaluating potential data providers and platforms to support the measurement of these indicators, including both proprietary datasets and public geospatial layers. This exploration will inform our roadmap for disclosure and target-setting in line with GBF Target 15 and TNFD's Metrics and Targets pillar. However, the scope and pace of this work will be subject to financial constraints and practical feasibility considerations.

5. Challenges, and Charting the Path Forward

CIMB has made significant progress in enhancing our understanding of nature-related financial risks and opportunities, with several initiatives already underway to address nature-related risks and promote biodiversity safeguards. These include requiring clients to comply with certification schemes such as Malaysian Sustainable Palm Oil (MSPO) or Indonesian Sustainable Palm Oil (ISPO), agreeing time-bound action plans with clients to address identified environmental and social gaps, and conducting nature-related assessments for projects with large scale land use change. These efforts are integrated into our due diligence, portfolio management, and client engagement processes. Notably, we were ranked #1 globally among banks by Forests & Finance for the strength of our forest-related policies.

At present, we have integrated or are actively exploring:

- Conducting deep dives on selected value chains to map nature-related dependencies and transmission of risks across upstream, midstream and downstream operations.
- Assessing sector-level risks and opportunities, prioritising sectors based on materiality to nature (i.e., for agriculture, forestry, power and oil & gas).
- Integrating location-based assessments using tools such as ENCORE and WWF Risk Filters to evaluate portfolio exposure to ecosystem degradation and proximity to protected areas; We are now looking into expanding this to cover water stress assessments.
- Initiated portfolio-level prioritisation to align with the Kunming-Montreal Global Biodiversity Framework and TNFD LEAP methodology.

Looking ahead, CIMB sees significant opportunities in advancing nature-aligned financing, which we hope to unlock through:

- Developing financial products that support biodiversity conservation, ecosystem restoration, and sustainable land use.
- Engaging with clients to understand their nature-related goals and co-create solutions that enable their transition towards nature-aligned outcomes.
- Exploring innovative instruments such as blended finance structures, and sustainability-linked loans with nature-based KPIs, and potentially high integrity biodiversity credits in the longer term.
- Aligning with global frameworks like the Kunming-Montreal Global Biodiversity Framework and TNFD to ensure credibility and impact.
- Unlocking growth opportunities in emerging areas such as nature-based carbon financing and the blue economy, positioning CIMB as a regional leader in nature-aligned finance.

Case Study #7 – Advancing Shariah Compliant Carbon and Nature-Based Financing

CIMB Islamic is taking a pioneering role in shaping Malaysia's Shariah-compliant carbon market, bridging the gap between global sustainability standards and Islamic finance principles. Guided by views from Shariah advisors, carbon credit trading is deemed permissible as a transitional mechanism to support decarbonisation, provided that safeguards are in place to ensure transparency, real and verifiable emission reductions or removals, and the avoidance of speculative elements, such as excessive uncertainty (gharar), that contradict Shariah principles.

Carbon credits are a complementary tool for addressing unavoidable residual emissions and financing climate-positive projects, particularly for hard-to-abate sectors striving towards net zero pathways. Importantly, the role of carbon markets extends beyond emissions management to encompass the protection and restoration of natural ecosystems and biodiversity, recognising that nature-based solutions (such as forest conservation, reforestation, and regenerative agriculture) can deliver both carbon and ecological co-benefits essential for long-term planetary health.

Recognising this, CIMB Islamic has actively advanced thought leadership in this space by co-developing Malaysia's first comprehensive white paper on Shariah-compliant carbon markets in collaboration with INCEIF University, and by driving discourse at the "Shariah Leadership in Sustainability Conference" – part of CIMB's The Cooler Earth Sustainability Series, where regulatory, market, biodiversity, and Shariah considerations were brought to the forefront.

Carbon markets, when responsibly designed and applied, can unlock meaningful environmental, social, and ecological value, mobilise capital towards credible climate and nature-aligned solutions, and enable broader participation from developing economies. These initiatives reflect CIMB Islamic's readiness to serve as a trusted, capable partner for clients seeking to navigate carbon credit financing in a way that is globally relevant, nature-inclusive, and firmly rooted in Shariah values.

Challenges Encountered

To fully align with the Taskforce on Nature-related Financial Disclosures (TNFD) framework, it is necessary to undertake a comprehensive review of each of the four core pillars: Governance, Strategy, Risk and Impact Management, and Metrics and Targets. However, at the moment, operationalising the full scope of TNFD recommendations presents several challenges. The following areas illustrate key implementation gaps that currently limit our ability to apply the TNFD framework effectively across our operations and portfolio.

- **Tools and data availability for high volume application**: The TNFD recommends the use of granular, location-specific data to identify areas of high nature dependency or biodiversity value. While tools such as ENCORE, WWF Water Risk Filter, and IBAT provide useful data and risk indicators, there are several limitations:
    - Limited regional specificity and granularity: While emerging datasets such as the S&P Global Nature & Biodiversity Risk dataset offer global coverage and TNFD-aligned metrics, many tools remain static or outdated, and often lack the depth of coverage and granularity needed for Southeast Asian markets. These limitations affect the ability to capture local ecosystem dynamics and sector-specific nuances critical to CIMB's portfolio.
    - Fragmented tool landscape: There is a lack of interoperability and connectivity among existing tools, making integration into internal risk systems challenging. Assessments often require manual effort and are highly labour-intensive. Most tools provide high-level risk scores but fall short of delivering the granularity needed to inform specific financing decisions or client engagement strategies.
    - Inconsistent project-level data: Nature-related dependencies at the project level are not captured in a scalable or consistent manner due to fragmented disclosure practices and persistent data gaps across sectors and geographies.
    - Third-party data partnerships: Collaborating with external data providers is necessary to enhance coverage and analytical depth. However, such partnerships are likely to introduce additional costs, governance complexities, and integration challenges. These factors must be carefully evaluated to ensure feasibility and alignment with CIMB's strategic priorities.
- **Measurement of overall portfolio-level impacts and dependencies**: Unlike greenhouse gas emissions, which have well-established and widely adopted metrics, there is no commonly agreed unit of measurement for nature-related impacts or dependencies.
    - Available tools can identify specific sites of ecological importance (such as Key Biodiversity Areas), but they do not enable the aggregation of impacts across a portfolio.
    - There is a lack of foundational metrics for individual environmental realms such as pollution, water, climate regulation, and biodiversity. These metrics are either missing, inconsistently defined, or not yet standardised, which limits the ability to assess nature-related impacts and dependencies in a structured and comparable way. Furthermore, methodologies for aggregating across these realms to assess portfolio-level exposure, impacts, and dependencies are still under development. Current

approaches do not offer sufficient standardisation, comparability, or auditability, making it difficult to generate actionable insights or integrate nature-related risks into financial decision-making in a scalable manner.

- **Understanding and applying national action plans**: National Biodiversity Strategies and Action Plans (NBSAPs) can provide insight into country-level ambition and direction regarding nature. However:
    - The coverage, granularity, and enforceability of these plans vary significantly across jurisdictions.
    - Greater specificity in national-level biodiversity strategies, such as sector-specific guidance and measurable interim targets, would be helpful in supporting financial institutions to align their approaches with national goals and to identify clear, actionable pathways for nature-positive financing and disclosures.
    - As a result, financial institutions face challenges in using these plans to assess alignment or inform client engagement strategies.
- **Credible scenarios for nature-related risks**: Scenario analysis is a core expectation within the TNFD framework, particularly under the Strategy and Risk Management pillars. However, unlike climate-related scenarios which benefit from established references such as those from the Intergovernmental Panel on Climate Change (IPCC) or International Energy Agency (IEA), nature-related scenarios are far less developed.
    - There is currently no standardised, science-based set of nature scenarios that are widely accepted or applicable at the sectoral or regional level.
    - Existing scenarios (i.e. regulatory restrictions on deforestation-linked commodities) tend to be highly localised, and thus difficult to scale across diversified portfolios.
    - There is limited guidance on how to quantify nature-related risks in financial terms, such as the impact of biodiversity loss on commodity pricing or input costs..
- **Conducting scenario analysis to assess client adaptation and economic transmission channels**: One of the more complex aspects of the TNFD framework involves assessing how nature-related risks may affect clients' financial performance and business models. This includes understanding second-order effects such as the potential rise in costs or disruption of supply chains. For example, loss of pollination services or water scarcity may increase food production costs, which could reduce client margins or shift consumer demand.
    - Financial institutions currently lack models to estimate how such costs could be absorbed, passed through to end consumers, or affect credit risk.
    - There is also no established framework to evaluate the sufficiency of client transition plans for nature-related risks, unlike the Science Based Targets initiative (SBTi) for climate. While the Science Based Targets Network (SBTN) is developing guidance for nature, it remains nascent, lacks sectoral coverage, and has yet to provide a widely accepted benchmark for assessing client plans.

- **Other implementation challenges**
    - There is currently limited financial-sector-specific guidance on TNFD implementation, which creates some uncertainty around how banks should apply the framework across financing and investment portfolios.
    - Like many financial institutions, CIMB is still in the early stages of building internal technical expertise to assess ecosystem dependencies and biodiversity-related risks. These areas involve complex and evolving science, and there is limited availability of specialised knowledge within the financial sector. As such, CIMB is actively learning and developing capabilities through pilot assessments, tool exploration, and engagement with external experts. This learning-by-doing approach is helping us gradually build the foundation needed to integrate nature-related considerations into financing and investment decisions.
    - In the absence of regulatory requirements and supervisory expectations, TNFD adoption remains voluntary, which makes it more challenging for institutions like CIMB and our clients to build a strong internal case for investing in deeper research, data infrastructure, technical expertise, and safeguards. This is especially true when the financial impacts of nature-related risks and dependencies cannot yet be reliably quantified or estimated. As a result, progress often depends on internal leadership, strategic prioritisation, and a willingness to devote resources to learning and evolving alongside emerging standards.
    - Nature-related projects often have long timelines, uncertain returns, and lack standardised valuation methods for ecosystem services, making these projects challenging to finance.

Looking Ahead: Roadmap to full TNFD alignment

To progressively align with the Taskforce on Nature-related Financial Disclosures and the Kunming-Montreal Global Biodiversity Framework, our Nature Roadmap outlines strategic milestones and actions leading up to 2030. The roadmap prioritises capacity building, framework enhancement, and stakeholder engagement before advancing to target-setting and full disclosure. These are preliminary plans and will evolve over time, depending on factors such as internal resources, data availability, scenario development, and regulatory developments. We look forward to the International Sustainability Standards Board's anticipated IFRS S3 requirements, and will assess alignment with these in later phases of the roadmap. CIMB is just at the start of its learning journey, and we are committed to communicating both progress and any changes transparently as our understanding and capabilities mature.

Phase 1: Capacity Building (2025 onwards)

Objective: Establish foundational knowledge and internal readiness across key teams.

- Build awareness of nature-related financial risks and opportunities across Group functions and countries.

- Conduct structured nature and TNFD training for sustainability, risk, wholesale and commercial banking, and credit teams.
- Identify internal champions to support implementation across business lines and countries. Indonesia, Singapore, Thailand, and Cambodia will look into conducting a similar exercise, subject to local feasibility and resource considerations.
- Contribute to national and regional nature finance mobilisation efforts with clients, and through partnerships and policy dialogue.

Phase 2: Framework Enhancements (2026-2027)

Objective: Strengthen nature-related considerations in existing internal frameworks.

- Enhance our Green, Social, Sustainable Impact Products and Services (GSSIPS) Framework to better define and capture nature-aligned opportunities, including nature-based carbon financing, and nature-linked products such as biodiversity-linked financing or nature bonds.
- Begin scoping nature-specific enhancements to the Group Sustainable Financing Policy (GSFP) and sector guidance, including potential sector triggers.
- Explore additional tools and platforms (e.g. WWF Water Risk Filter, Aqueduct Water Risk Atlas, IBAT) to support risk assessments.

Phase 3: Early Client Engagement (2026 onwards)

Objective: Initiate engagement with clients in sectors with high nature dependencies and impacts.

- Identify key clients in sectors such as agriculture, forestry, power, and oil & gas for nature-focused engagements, potentially leveraging ongoing engagements on climate change.
- Conduct preliminary discussions to understand nature-related practices, data availability, and transition readiness.
- Provide advisory support or guidance on tools and voluntary disclosures (e.g. RSPO ACOP, NDPE policies, HCV/HCS assessments).

Phase 4: Indicator and Target Development (2028 onwards, subject to availability of suitable data, tools, and resources)

Objective: Establish nature-related indicators, baselines, and sector pathways.

- Define biodiversity and nature-related indicators for priority sectors based on global frameworks and data availability.
- Identify suitable reference pathways or sector benchmarks for alignment (e.g. GBF Targets 14 and 15).
- Begin tracking internal exposure to high nature-risk sectors and locations (e.g. clients operating near KBAs, Ramsar sites).

Phase 5: Deepen Strategic Alignment and Policy Integration (2028 onwards)

Objective: Deepen integration of nature into governance, risk, and product development.

- Align nature and biodiversity strategy with Malaysia's National Biodiversity Strategy and Action Plan (NBSAP) and other national frameworks.
- Refine sector guides, credit policies, and escalation mechanisms to reflect material nature considerations.
- Embed indicators and nature-related expectations into product development, risk screening, and engagement workflows.
- Explore approaches for nature-related risk and scenario modelling to better understand potential impacts, dependencies, and transition pathways. This includes assessing how nature-related risks could materialise under different environmental and policy scenarios, and how these may affect CIMB's financing and investment portfolios. These efforts will be iterative and depend on the availability of data, tools, and internal capacity, but will help inform more robust decision-making over time.

Phase 6: TNFD-Aligned Disclosure (2030 onwards)

Objective: Achieve maturity in fully TNFD-aligned reporting and drive nature-aligned finance.

- Publicly disclose metrics and management approaches across all four TNFD pillars: Governance, Strategy, Risk and Impact Management, and Metrics and Targets.

CIMB acknowledges that nature-related risk assessments, especially at the portfolio level, are still underdeveloped compared to climate-related approaches. Unlike climate, where we have embedded climate risk into our risk library and risk posture, similar integration for nature is yet to be established. This presents an opportunity to build foundational processes that reflect nature-related materiality across sectors. As part of our ongoing efforts, we will also explore how nature-related considerations can be progressively embedded into underwriting practices, risk appetite statements, and broader risk governance frameworks. This will be an iterative process, informed by evolving data, tools, and internal capacity, and aligned with emerging global standards.

CIMB's nature-related approach reflects our commitment to proactively managing emerging environmental risks while supporting the transition to a nature-positive economy. As a financial institution operating in a region rich in biodiversity and natural capital, we recognise the importance of integrating nature into our governance, risk management, and product development processes. Our strategy is aligned with global frameworks and national priorities, and is designed to evolve as data, tools, and regulatory expectations mature.

This report outlines our preliminary efforts and roadmap, which will continue to be refined over time. We acknowledge that nature-related integration is a complex and evolving area, with many dependencies including internal capacity, data availability, and methodological development. CIMB remains committed to transparency and continuous improvement, and will communicate progress and updates as we advance. Through this journey, we aim to strengthen our resilience, support our clients in their sustainability transitions, and contribute meaningfully to regional and global biodiversity goals.

6. Appendix: TNFD Alignment Table

It is important to clearly distinguish between the Taskforce on Nature-related Financial Disclosures (TNFD) and the Kunming-Montreal Global Biodiversity Framework (GBF). The TNFD provides a voluntary disclosure framework that supports financial institutions and corporates in identifying, assessing, managing, and reporting on nature-related dependencies, impacts, risks, and opportunities. It functions primarily as a risk management and reporting tool, designed to enhance decision-making and transparency. In contrast, the GBF is a global policy framework adopted by governments under the Convention on Biological Diversity, setting out overarching goals and 23 global targets to halt and reverse biodiversity loss by 2030. While the GBF establishes the global policy direction and defines the "what" in terms of biodiversity commitments, the TNFD provides the "how" by guiding disclosures and practices in alignment with these objectives.

Taken together, the GBF and TNFD are complementary: the GBF acts as the policy anchor, while the TNFD offers a practical framework to progressively strengthen management of nature-related factors through enhanced reporting and accountability.

 For further details, refer to our Sustainability Report

TNFD Recommended Disclosures	CIMB Reference	Tools/ Framework Alignment
Governance		
A. Describe the **board's oversight** of nature-related **dependencies, impacts, risks and opportunities**.	• Nature Report (page 13) • Sustainability Report (page 101-102)	**GBF: 14 and 15**
B. Describe **management's role** in **assessing and managing** nature-related **dependencies, impacts, risks and opportunities.**	• Nature Report (page 13-14) • Sustainability Report (page 101-103)	**GBF: 14 and 15**
C. Describe the **organisation's human rights policies** and **engagement activities**, and **oversight** by the board and management, with respect to **Indigenous Peoples, Local Communities**, affected and other stakeholders, in the organisation's **assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.**	• Nature Report (page 15) • Sustainability Report (page 145-148) • Group Human Rights Policy 2024	**GBF: 5, 9, 10, 21, 22, 23**

TNFD Recommended Disclosures	CIMB Reference	Tools/ Framework Alignment
Strategy		
A. Describe the **nature-related dependencies, impacts, risks and opportunities** the organisation has identified over the **short, medium and long term.**	• Nature Report (page 17-55) • Sustainability Report (page 31)	**ENCORE, WWF Risk Filter, GFW** **GBF: 4, 5, 6, 7, 8, 9, 10, 11, 14, 15**
B. Describe the **effect nature-related dependencies, impacts, risks and opportunities** have had on the **organisation's business model, value chain, strategy and financial planning**, as well as any **transition plans** or analysis in place.	• Nature Report (page 17-55)	**PRB, TNFD** **GBF: 10, 11, 14, 15, 18, 19**
C. Describe the **resilience of the organisation's strategy to nature-related risks and opportunities,** taking into consideration **different scenarios.**	Currently under development	**GBF: 6, 7, 8, 10, 11, 15, 19, 21**
D. Disclose the locations of assets and/or activities in the organisation's **direct operations** and, where possible, **upstream and downstream value chain(s)** that meet the criteria **for priority locations.**	Currently under development	**GFW, WWF Risk Filter** **GBF: 5, 6, 7, 8, 10, 14, 15**
Risk and Impact Management		
A(i). Describe the **organisation's processes** for **identifying, assessing and prioritising** nature-related dependencies, impacts, risks and opportunities in its **direct operations.**	• Nature Report (page 17-55) • Sustainability Report (page 143-144)	**WWF, ENCORE** **GBF: 4, 6, 7, 8, 10, 11, 14, 15, 21**
A(ii). Describe the **organisation's processes** for **identifying, assessing and prioritising** nature-related dependencies, impacts, risks and opportunities in **its upstream and downstream value chain(s).**	• Nature Report (page 17-55) • Sustainability Report (page 143-144)	**GBF: 5, 6, 7, 8, 9, 10, 14, 15, 21**
B. Describe the organisation's processes for **managing nature-related dependencies, impacts, risks and opportunities**	• Nature Report (page 17-55) • Sustainability Report (page 143-144)	**GBF: 4, 5, 7, 8, 10, 11, 14, 15, 18, 19**

TNFD Recommended Disclosures	CIMB Reference	Tools/ Framework Alignment
C. Describe how processes for **identifying, assessing, prioritising and monitoring** nature-related risks are **integrated into and inform the organisation's overall risk management processes.**	• Nature Report (page 17-55 and 63-65) • Sustainability Report (page 143-144)	GSFP, Sector Guides **GBF: 10, 11, 14, 15, 18, 19**
Metrics and Targets		
A. Disclose the metrics used by the organisation to **assess and manage material nature-related risks and opportunities** in line with its **strategy and risk management process**	Currently under development	**GBF: 7, 8, 10, 11, 14, 15, 19, 21**
B. Disclose the metrics used by the organisation **to assess and manage dependencies and impacts on nature.**	Currently under development	**ENCORE, WWF, GFW** **GBF: 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 21**
C. Describe the targets and goals used by the organisation to **manage nature-related dependencies, impacts, risks and opportunities and its performance against these.**	• Nature Report (page 56-58)	**GBF 4, 5, 7, 8, 9, 10, 11, 14, 15, 18, 19**

7. Appendix: Glossary

Term or Abbreviation	Definition
Action Plans	Time-bound client-specific commitments to address environmental and social risks identified during due diligence (e.g., timelines for NDPE compliance or biodiversity protection), monitored annually.
Aqueduct	A global water risk platform developed by the World Resources Institute to assess and map water-related risks.
BAPs	Biodiversity Action Plans – Plans that proactively identify and mitigate biodiversity impacts during project development, especially in sensitive ecosystems.
BGSC	Board Group Sustainability Committee – CIMB's board-level committee providing oversight on sustainability matters.
Biomes	Large-scale terrestrial or aquatic zones with distinct climate conditions, flora and fauna, and ecological communities.
Blue Carbon	Carbon stored in coastal and marine ecosystems such as mangroves, tidal marshes, and seagrasses.
BSDD	Basic Sustainability Due Diligence – CIMB's initial screening process for non-retail financing transactions.
Carbon Credits	Certificates representing the reduction or removal of one tonne of CO_2 equivalent, often from nature-based solutions.
CCPT	Climate Change and Principle-based Taxonomy – Malaysia's green taxonomy by Bank Negara Malaysia.
CBD	Convention on Biological Diversity – The international treaty focused on biodiversity conservation and sustainable use.
Decommissioning	The retirement of industrial assets (e.g. oil platforms), which may include opportunities for nature-positive restoration.
Dependencies	The reliance of a business or sector on nature and ecosystem services to operate effectively.
Double Materiality	An approach that considers both the financial impact of nature on the business (outside-in) and the environmental impact of the business on nature (inside-out).
Ecological Offset Financing	Ecological offset financing refers to financial mechanisms designed to address residual biodiversity impacts that cannot be fully avoided or mitigated during project development (e.g., construction activities). These mechanisms channel funds into offset or conservation projects that deliver equivalent or greater ecological value. Ecological offset financing must follow strict integrity principles: applied only as a last resort, delivering equal or greater biodiversity value with clear additionality, ensuring long-term protection, backed by independent verification, and developed in consultation with local and Indigenous communities.
Eco-Save	A CIMB Islamic digital savings account that channels a portion of deposits to fund environmental conservation projects in Malaysia

Term or Abbreviation	Definition
Ecosystem Services	The benefits people derive from nature, including provisioning (e.g. food), regulating (e.g. flood control), and cultural (e.g. recreation).
EIA	Environmental Impact Assessment – A process for evaluating the likely environmental impacts of a proposed project, typically a regulatory requirement.
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure – A tool to assess sector dependencies and impacts on nature.
Environmental Assets	Components of natural systems that provide ecosystem services and have value to people and the economy.
ESDD	Enhanced Sustainability Due Diligence – CIMB's in-depth environmental and social assessment process for higher-risk clients and transactions.
EUDR	EU Regulation on Deforestation-free Products – Regulation prohibiting commodities linked to deforestation from entering EU markets.
FSC®	Forest Stewardship Council® – A global sustainable forestry system that promotes responsible forest management.
FPIC	Free Prior Informed Consent – The right of Indigenous Peoples to approve or reject projects affecting their land or resources, without coercion and with full information, provided in advance.
GBF	Kunming-Montreal Global Biodiversity Framework – An international agreement adopted in 2022 with goals to halt and reverse biodiversity loss by 2030.
GFW	Global Forest Watch – A geospatial monitoring platform to track deforestation and forest degradation.
Governance of Execution	The structures and processes used to ensure that sustainability and nature-related commitments are implemented and tracked.
Green Bonds	Debt instruments where proceeds are exclusively used to finance or refinance eligible green projects.
Green Infrastructure	Nature-based infrastructure that provides ecosystem services, such as mangrove belts for coastal protection.
GSC	Group Sustainability Council – CIMB's senior-level forum guiding sustainability strategy and implementation.
GSFP	Group Sustainable Financing Policy – CIMB's main responsible financing policy outlining requirements for financing and client assessment in non-retail transactions.
GSSIPS	Green, Social, Sustainable and Impact Products and Services – CIMB's product framework for sustainable finance.
HCS	High Carbon Stock – A methodology used to identify forests with high carbon value that should be conserved.
HCV	High Conservation Value – Areas of outstanding environmental or social value that need to be protected.
IBAT	Integrated Biodiversity Assessment Tool – A global database for biodiversity risk screening.
IEA Net Zero 2050	A scenario developed by the International Energy Agency outlining how the energy sector can reach net zero CO_2 emissions by 2050.

Term or Abbreviation	Definition
Impacts	A positive or negative change in nature resulting from an organisation's activities or value chain.
Impact Drivers	Human activities that cause changes in the state of nature, such as land use change or pollution.
KBAs	Key Biodiversity Areas – Sites identified as being critical for the global persistence of biodiversity.
LUC	Land Use Change – Conversion of natural ecosystems into agricultural, industrial or urban land.
LEAP	Locate, Evaluate, Assess, Prepare – TNFD's recommended methodology for identifying and managing nature-related risks.
Metrics and Targets	Quantitative indicators and goals used to track progress on biodiversity and nature-related performance.
MSPO	Malaysian Sustainable Palm Oil – Malaysia's national palm oil certification standard.
NDPE	No Deforestation, No Peat, No Exploitation – A policy commitment to prevent harmful land conversion and exploitation.
NBSAP	National Biodiversity Strategy and Action Plan – Country-level implementation strategy for the CBD and GBF.
Nature Interface	The point of interaction between economic activities and environmental assets or ecosystems.
NbS	Nature-Based Solutions – Actions that protect, manage, and restore nature to address societal challenges like climate change.
Nature-Positive	Although a universally accepted definition has yet to be agreed, Nature-Positive is a concept referring to a state where nature loss is halted, and nature is restored and regenerating, with measurable net gains in biodiversity and ecosystem health.
Net Zero	Achieving a balance between greenhouse gas emissions produced and those removed from the atmosphere.
Outcome-Linked Finance	Financial products whose terms depend on the achievement of specific sustainability outcomes.
Palm Oil Mill Effluent	Wastewater produced during palm oil processing, often linked to methane emissions and pollution.
PEFC	Programme for the Endorsement of Forest Certification – An international certification framework that endorses national forest standards to ensure sustainable forest practices.
Portfolio-Level Assessment	Evaluation of risk and opportunity exposure across a bank's financing or investment portfolio.
PRB	Principles for Responsible Banking – A UNEP FI framework for aligning banking with sustainable development.
Ramsar Sites	Wetlands designated as internationally important under the Ramsar Convention.
REDD+	Reducing Emissions from Deforestation and Forest Degradation – A UN mechanism to incentivise forest protection.

Term or Abbreviation	Definition
RSPO	Roundtable on Sustainable Palm Oil – A multi-stakeholder initiative that certifies sustainable palm oil production.
Scope 1, 2, 3	Greenhouse gas emissions classifications: Scope 1 = direct, Scope 2 = energy indirect, Scope 3 = other indirect (e.g. value chain).
SDGs	Sustainable Development Goals – 17 UN goals to address global challenges including climate and biodiversity.
SBTi	Science Based Targets initiative – A global body enabling companies to set emissions reduction targets in line with climate science.
Sector Guides	CIMB's internal documents outlining environmental and social expectations and risk management requirements for high-impact sectors. These requirements and expectations are disclosed in CIMB's Sustainable Finance Framework.
TCFD	Task Force on Climate-related Financial Disclosures – A framework for disclosing climate-related risks and opportunities. TCFD recommendations have been fully incorporated into IFRS S1 and S2 requirements. Read more here.
TNFD	Taskforce on Nature-related Financial Disclosures – A global initiative guiding organisations to disclose and manage nature-related risks.
Transition Finance	Financing that supports sectors or companies in transitioning towards sustainable, low-carbon or nature-positive practices.
Transition Risks	Risks arising from changes in regulation, markets or public perception during the shift to a more sustainable economy.
UNDRIP	United Nations Declaration on the Rights of Indigenous Peoples – Recognises the rights of Indigenous Peoples to FPIC.
VBIAF	Value-based Intermediation Assessment Framework – Bank Negara Malaysia's ESG assessment guide for banks.
WWF Risk Filter	Tools developed by WWF to assess water and biodiversity risks across locations and sectors.

8. Appendix: Acknowledgements

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