

Bank of China (Malaysia) Berhad
Climate-related Disclosures Report 2024

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ABOUT THIS REPORT

Reporting Boundary

The Report provides an overview of the climate risk and opportunity management, and performance of Bank of China (Malaysia) Berhad (“BOCM” or “the Bank”) in 2024. It covers BOCM’s climate-related disclosures, climate-related governance, strategy, risk management, and metrics and targets.

This Report is to be read in conjunction with the Bank of China (Hong Kong) Limited’s (“the Group”) 2024 Annual Report, 2024 Sustainability Report, and the Sustainability section, along with sustainability-related policies available on the Group’s website. This will offer a comprehensive understanding of the Group’s overall sustainability and climate-related philosophy, strategies, and direction, which are reflected in BOCM’s approach.

Unless stated otherwise, the information and data in this Report cover the period from 1 January 2024 to 31 December 2024.

Preparation of the Report

The Report has been prepared with reference to the following disclosure frameworks and requirements:

- The Task Force on Climate-related Financial Disclosure (“TCFD”) recommendations
- JC3 TCFD Application Guide for Malaysian Financial Institutions (Basic recommendations)
- Disclosure requirements of Bank Negara Malaysia’s (“BNM”) Climate Risk Management and Scenario Analysis (“CRMSA”)

Assurance and Approval of the Report

This Report has been published on BOCM’s website after being reviewed by the Management Sustainability Committee and deliberated, and approved by the Board of Directors.

Feedback

BOCM welcomes your comments and recommendations regarding its Report, and other sustainability-related matters. For any inquiries, please reach out to BOCM via the following email address:

- CEO’s Office (Email: ceo_office@bankofchina.com.my)

PREFACE

As Malaysia accelerates its transition towards a low carbon economy, the National Climate Change Policy 2.0 (“NCCP 2.0”) plays a crucial role in guiding the country’s climate actions in response to both global and domestic challenges. By incorporating the Paris Agreement’s goals into the national framework, the policy addresses the latest developments in climate change. The NCCP 2.0 sets ambitious targets, including achieving Net-Zero Greenhouse Gas (“GHG”) emissions by 2050 and reducing carbon intensity relative to GDP by 45% by 2030, compared to 2005 levels. As part of Strategic Thrust 4, Malaysia is implementing innovative financing mechanisms to enhance private sector participation and expand green financing. This aligns with efforts to establish a sustainable financing framework and implement carbon pricing.

Recognising the importance of sustainable financing, BOCM has aligned its strategies with BNM’s efforts to foster sustainable growth in support of the NCCP 2.0. In 2023, the Bank launched its “Green Financing Guideline”, establishing clear criteria for Green Loans and Sustainability Linked Loans, further enhancing its sustainable finance offerings. Additionally, BOCM introduced the ECO Housing Loan Acquisition Campaign, providing competitive rates for properties with certified green building credentials. These initiatives reflect BOCM’s commitment to financing the transition to a sustainable future.

To strengthen BOCM’s portfolio against climate risks, the Bank ceased financing new coal-fired power generation and coal mining projects from Q4 2021. This aligns with the Group’s climate strategy and represents a significant step in mitigating climate-related risks within the Bank’s lending portfolio. In 2024, BOCM further expanded its ESG-related commitments by introducing the “ESG Sensitive Sector Strategy Statement”, which outlines mid-term strategies for managing environmental and social risks in sensitive sectors.

Furthermore, BOCM has set an internal operational target for 2025, aiming to reduce electricity and paper consumption as part of the ongoing efforts to minimise its environmental footprint. These objectives demonstrate the BOCM’s proactive approach to meeting regulatory demands and supporting sustainable business practices.

BOCM is committed to integrating these targets into its climate-related strategy to achieve these commitments. This alignment supports the national sustainability goals and strengthens its contribution to the policy framework. Recognising the critical role that financial institutions play in driving Malaysia’s low-carbon transition and creating long-term value for our stakeholders, BOCM will continue to support the Group’s overarching goals to promote sustainable finance initiatives.

CLIMATE-RELATED DISCLOSURE BASED ON THE TCFD RECOMMENDATIONS

Financial institutions can significantly influence business performance through climate-related reporting and disclosures. By integrating climate risk assessments into investment decisions, they encourage companies to adopt sustainable practices, knowing their financial success is linked to their climate performance. Transparent and standardised climate reporting enhances accountability and allows investors to make informed choices, promoting sustainable investment practices. Financial institutions can also incentivise businesses to improve their disclosures by offering favourable loan terms for those meeting sustainability criteria.

Embracing transparency in climate-related issues is a powerful catalyst for transformative business success. By addressing these challenges, organisations can seize new opportunities and enhance performance. This proactive approach is crucial for sustainable growth and building trust among stakeholders. Additionally, collaboration among financial institutions, corporations, and policymakers can establish best practices in climate reporting, reinforcing financial stability and fostering a more resilient economy.

Recognising the significance of tackling climate-related risks and opportunities, BOCM is dedicated to incorporating climate issues into its daily business operations. The commitment assures openness, responsibility and adaptability to climate change. Financial institutions ought to embark on the critical step of implementing climate-related disclosures, which provide transparent, comparable information on the identification, assessment and management of climate-related risks.

Moving forward, BOCM will continue to strengthen its risk management practices, ensuring that climate-related considerations are embedded into decision-making processes at all levels. This approach will not only enable the Bank to meet regulatory expectations but also drive sustainable growth, while contributing to the nation's efforts to mitigate climate change.

1.0 GOVERNANCE

BOCM's leadership is responsible for effectively managing the opportunities and risks associated with climate change to promote sustainable development. This governance framework addresses climate-related risks while ensuring clear communication with stakeholders. Climate risk management is integrated into BOCM to enhance its sustainability strategy. Collaborative efforts among various committees and groups drive initiatives related to climate change, positioning the Bank for future growth and resilience.

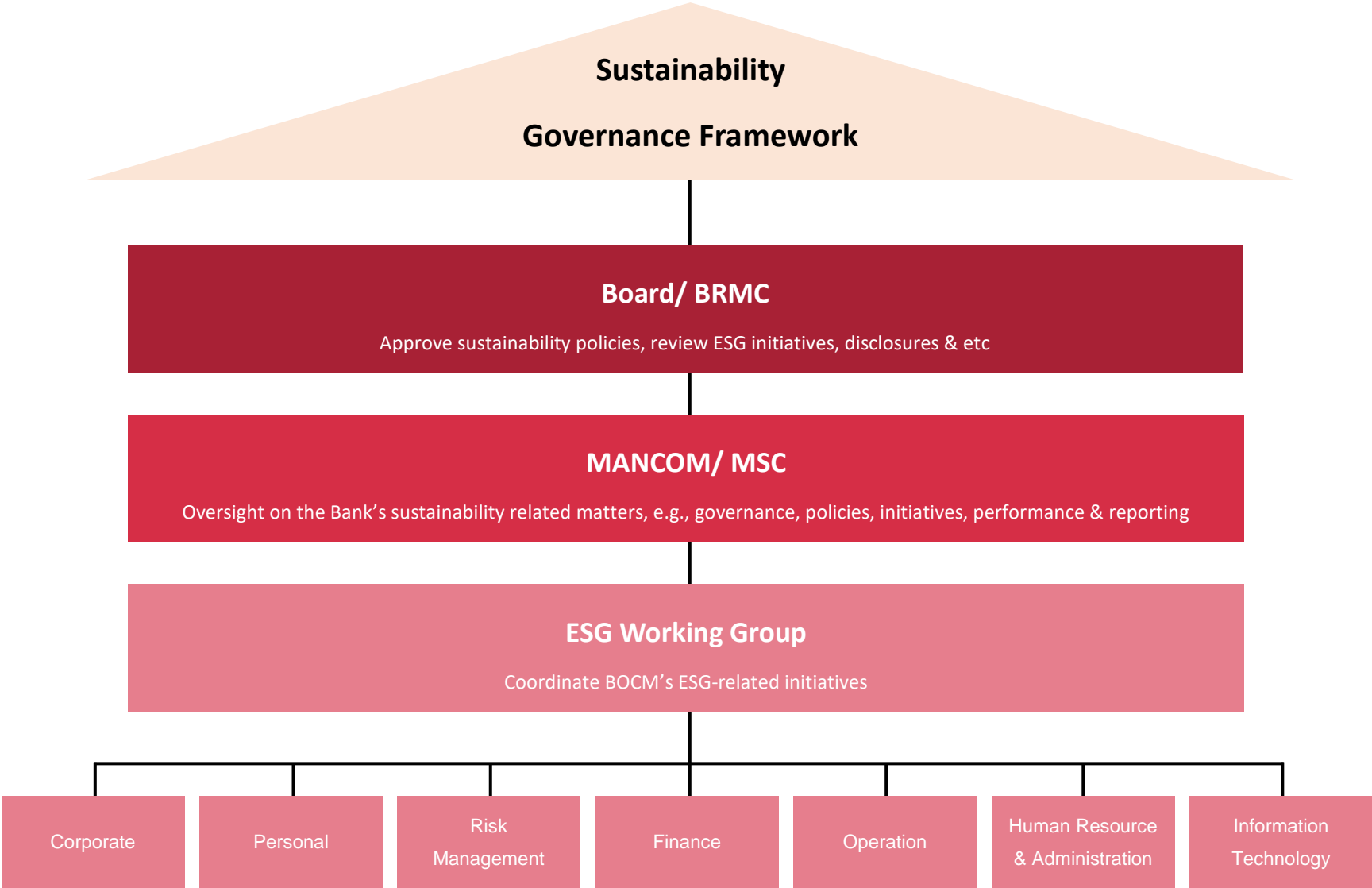
1.1 Governance Structure

BOCM's climate-related governance structure consists of three tiers: the Board of Directors ("Board"), which holds the highest level of oversight on sustainability and climate-related matters; the Management level; and the working level. The Board and Senior Management exercise effective oversight of climate-related risks through the Board Risk Management Committee ("BRMC") and Management Sustainability Committee ("MSC"), a supporting committee of the Management Committee ("MANCOM"). At the working level, BOCM has the ESG Working Group which facilitates inter-departmental cooperation and serves as a forum to discuss material ESG/ sustainability issues.

BOCM has strengthened its climate-related governance by integrating climate risk management into its risk management framework to ensure that risks are effectively controlled within an acceptable level. The Board oversees sustainability and the management of climate-related risks and opportunities, approves risk strategies and business plans, and ensures the effectiveness of the risk management framework. With support from the BRMC, the Board also formulates strategies to address climate change-related issues, reviews sustainability objectives and monitors the progress.

Sustainability Governance Framework	
Sustainability Governance Structure	Main Responsibilities
Board Level	
Board of Directors (“Board”)	<ul style="list-style-type: none"> • Highest oversight for managing climate risk and opportunities within BOCM. • Responsible for promoting sustainability through appropriate ESG considerations. • Promote sustainability through appropriate environmental, social and governance guidelines, and policies in BOCM’s business strategies. • Approve the overall risk strategies, risk appetite and business plans, while overseeing the effectiveness of enterprise-wide integrated risk management, and the implementation of BOCM’s governance framework and internal control policies. • Ensure the risk-taking activities remain within the defined risk appetite, promote a sound risk culture, and maintain an effective risk management and internal control system for BOCM. • Frequency of meetings is at least 5 times a year.
Board Risk Management Committee (“BRMC”)	<ul style="list-style-type: none"> • Assist the Board in overseeing climate risk management to promote sustainability by integrating appropriate ESG considerations into the risk management and decision-making processes. • Responsible for overseeing the development of a robust risk management system and effective framework to identify, monitor, control, and report risk. • Oversee all relevant and material risks in Senior Management’s activities in managing enterprise-wide risks, including climate risk.

Sustainability Governance Structure	Main Responsibilities
Management Level	
Management Committee (“MANCOM”)	<ul style="list-style-type: none"> • Forefront the management and implementation of BOCM’s business strategy, and business plan. • Responsible for managing the day-to-day operations of BOCM across all aspects of its business, coordinating and overseeing the implementation of business activities to ensure alignment with BOCM’s business plan, and long-term strategies, while staying within its risk appetite.
Management Sustainability Committee (“MSC”)	<ul style="list-style-type: none"> • A supporting committee of MANCOM. • Assist the Senior Management and the Board, in fulfilling its oversight responsibilities with regards to sustainability matters of BOCM, and to ensure material sustainability factors are being considered in all aspects of BOCM’s business operations. • Closely monitor progress and implementation of ESG matters, escalating key issues to the Board and Board committees, and assisting the Board in making their decisions, where necessary.
Working Level	
ESG Working Group	<ul style="list-style-type: none"> • Spearhead BOCM’s ESG initiatives guided by BOCM’s seven ESG pillars, i.e. (i) Governance, (ii) Strategic Planning, (iii) Risk Management, (iv) Strategy, Products and Services, (v) Banking Operations, (vi) Corporate Culture, Capacity, and Image and (vii) Information Disclosure. • Set out annual key internal targets and tasks to ensure that the overall sustainability strategies of BOCM can be implemented and achieved, which is then subjected to the deliberation and review of the MSC.
All Departments	<ul style="list-style-type: none"> • Management of various risks and internal control processes in line with Three Lines of Defence (“3 LOD”) Risk Management.



A total of six BRMC meetings were held in 2024. Each BRMC meeting includes a permanent agenda item on the ESG Action Plan, outlining BOCM's sustainability efforts, including issues related to climate change. Among the topics discussed during the sessions was the periodic Consolidated Risk Report, which addresses climate-related risk exposures. The Risk Management and Internal Control Committee ("RMICC"), a management-level committee while not part of the formal sustainability governance structure and primarily focused on risk-related matters, reviewed the report, and submitted it to the BRMC for notification. During these sessions, the BRMC approved the "ESG Sensitive Sector Strategy Statement" and notified the Board. Other topics that were reviewed in 2024 were the materiality assessment of climate-related risks, 2024 climate stress testing scenarios, the risk appetite statement and indicator, and the revision of "Sustainability Policy". The periodic progress updates on the ESG Action Plan were notified as well.

The MSC held five meetings in 2024, during which the periodic progress of the ESG Action Plan, based on the ESG pillars of BOCM, were structured and updated. BNM's Climate Change and Principle-based Taxonomy ("CCPT") recommendation and observation were discussed. The materiality assessment of climate-related risks was deliberated, climate scenarios for 2024 climate stress testing were selected and the revised "Sustainability Policy" to be tabled to BRMC was concurred.

1.2 Board Credentials

The Board is made up of five members, including three independent non-executive directors, one executive director and one non-independent non-executive director. Below is a list of the Board members and their individual biographies.

Designation	Name of Directors
Chairman	Yu Xiaohui <i>Non-Independent Non-Executive Director</i>
Member	Zhang Min <i>Executive Director / Chief Executive Officer</i>
	Eugene Khoo Kong Hooi <i>Independent Non-Executive Director</i>
	Lee Heng Guie <i>Independent Non-Executive Director</i>
	Dato' Tan Tian Meng <i>Independent Non-Executive Director</i>

Yu Xiaohui

Chairman / Non-Independent Non-Executive Director

- Madam Yu Xiaohui, Chinese citizen, aged 57, was appointed to the Board on 27 May 2024.
- Madam Yu holds a Bachelor's degree in Foreign Trade English from the University of International Business and Economics in China. She later earned a Master's degree in Economics from Renmin University of China and is also a Certified Anti-Money Laundering Specialist ("CAMS").
- After joining Bank of China Limited ("BOCL") in July 1990, Madam Yu held various positions across the business, internal audit and inspection departments. Before her assignment to Bank of China (Hong Kong) Limited ("BOCHK"), she served as Head of the Overseas Branches Audit and Inspection Division, Chief Auditor of Overseas Audit, Chief Auditor of Regional Audit, Chief Auditor of Business Line Audit, and Deputy General Manager of the Internal Audit Department. Madam Yu served as Group Audit Deputy General Manager at BOCHK from June 2015 to December 2023.
- With over 20 years of experience, she has developed strong auditing and corporate governance skills. Madam Yu is also well-versed in banking operations and the relevant risk management standards. During her eight years at BOCHK, she gained in-depth knowledge of the Group's development plan, risk appetite and regional management model.

Zhang Min

Executive Director/Chief Executive Officer

- Mr. Zhang Min, Chinese citizen, aged 59, was appointed as Executive Director/ Chief Executive Officer on 15 January 2019.
- Mr. Zhang earned a Bachelor's degree in International Finance from Wuhan University in China. He also holds a Doctorate in Population, Resources, and Environmental Economics from Yunnan University in China, along with a Master's degree in Finance from Xiamen University in China.
- With over 30 years of experience in the banking sector, Mr. Zhang has held various roles and gained extensive knowledge in risk management, banking branch management, corporate and retail banking, international settlement, and financial markets. He joined BOC Group in 1988. In 2003, he became Assistant General Manager of the Yunnan Branch of BOC, and in 2006, he was promoted to Deputy General Manager. Mr. Zhang was responsible for the general operations of the Jakarta branch of BOC from 2011 to 2017. From 2017 to January 2019, he led the Credit Risk Division at Bank of China (Hong Kong) Limited.

Eugene Khoo Kong Hooi

Independent Non-Executive Director

- Mr. Eugene Khoo Kong Hooi, Malaysian, aged 58, was appointed to the Board on 9 January 2017.
- He is a graduate of Monash University in Australia, where he obtained a Bachelor of Economics. He is a certified chartered accountant and banker, with memberships in the Malaysian Institute of Accountants, the Asian Institute of Chartered Bankers, Chartered Accountants Australia and New Zealand, and the Chartered Banker Institute UK.
- From January 2015 to July 2019, he served as President of the Malaysian Mergers & Acquisitions Association ("MMAA") and remained a member of its committee from 2019 to 2023. He was the Group Chief Executive Officer of a publicly listed company on Bursa Malaysia from 2016 to 2018, overseeing the plantation and real estate operations. He has held various roles in the corporate and investment banking sector. His extensive experience in banking covers areas such as relationship management, debt and equity capital markets, corporate banking, corporate finance, mergers and acquisitions, and private equity investing.
- He has worked on transactions in a wide range of industries and countries, collaborating with clients ranging from small businesses to large enterprises. After earning his Australian chartered accountancy qualification in 1989, he began his career with a global accounting firm. He currently serves on the committee of the Royal Selangor Golf Club.

Lee Heng Guie

Independent Non-Executive Director

- Mr. Lee Heng Guie, Malaysian, aged 63, was appointed to the Board on 8 December 2021.
- Mr. Lee graduated from the University of Malaya in Malaysia with a Bachelor of Arts (Hons) in Economics and from Williams College in the United States with a Master of Arts in Development Economics.
- He has worked as an economist for more than 30 years, including 18 years in financial services and nearly 12 years at BNM. Since July 2016, Mr. Lee has been the Executive Director of the Socio-Economic Research Centre ("SERC"), an independent research centre under the Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM").
- He currently serves as an independent member of the Malaysia Competition Commission's Economic Committee ("EC") and the Investment Committee of Opus Asset Management Sdn. Bhd. Additionally, Mr. Lee is an external advisor to the Master of Intellectual Property programme at Xiamen University Malaysia. He actively contributes economic commentary to print and electronic media and serves as a resource at conferences and seminars.

Lee Heng Guie (Cont.)

Independent Non-Executive Director

- Mr. Lee has won numerous accolades, including being named "Best Economist" by The Edge Polls twice and ranking in the top three four times between 2000 and 2008. In 2007, he was named "Best Economist" by Asset Magazine Hong Kong in recognition of his work in the Local Currency Bond Market of Malaysia. Additionally, from 2005 to 2013, he managed CIMB Macroeconomic Research's nine-year run in the top three in the Asiamoney Polls.

Dato' Tan Tian Meng

Independent Non-Executive Director

- Dato' Tan Tian Meng, Malaysian, aged 61, was appointed to the Board on 7 June 2024.
- Dato' Tan graduated from the University of Malaya with a Bachelor's degree in Civil Engineering. He is a member of both the Malaysia Energy Professional Association and the Institute of Engineers Malaysia.
- With more than 35 years of experience, Dato' Tan has applied his education in the construction and real estate development sectors, refining his expertise in these industries. He is currently the Managing Director of Rentak Flora Sdn. Bhd.
- An entrepreneur and driven leader, Dato' Tan has held numerous important positions within the Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI"), the Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM"), and the National Chamber of Commerce and Industry of Malaysia ("NCCIM"). He is also actively involved in various government councils and Boards, having taken on significant roles in the Malaysian Industry-Government Group for High Technology ("MIGHT"), Pemudah's Technical Working Group on Business Entry Cluster, the Malaysia Poisons Board, the Malaysia-Qatar Joint Business Council, and the National Unity Advisory Council.
- In recognition of his economic contributions and commitment to leading social affairs, Dato' Tan was awarded the Pingat Ahli Setia Negeri Sembilan ("A.N.S.") in 2010 and the Darjah Setia Bakti Negeri Sembilan ("D.B.N.S.") in 2013.
- Currently, Dato' Tan serves as an Independent and Non-Executive Director of the publicly listed Muda Holdings Berhad.

1.3 Sustainability-linked Remuneration

In 2023, BOCM introduced climate-related key performance indicators (“KPIs”) across the Bank to reinforce Board-level commitment. KPIs for relevant staff are tailored to departmental functions and responsibilities. These metrics are reviewed annually to ensure that BOCM is effectively meeting its sustainability goals.

1.4 Capacity Building

To ensure that Board members possess the necessary skills and knowledge to perform their duties effectively, ongoing professional development is essential. During the fiscal year 2024, the holding company, professional associations, regulatory bodies and internal training providers organised a series of in-person, and virtual training sessions and seminars for all Board members. These sessions focused on topics relevant to the Bank, particularly climate change disclosures, sustainability and ESG strategies. In 2024, the Board participated in the following training:

- ✧ *Task Force on Climate-related Financial Disclosures*
- ✧ *ESG Training: Escape the Greenhouse*
- ✧ *Driving Sustainable Growth: ESG Strategies for Malaysian Businesses*
- ✧ *Masterclass IV | Taking Effective Climate Action Now*
- ✧ *Exclusive Complimentary Invitation: Kuala Lumpur International Sustainability Conference*
- ✧ *Malaysia Sustainable Development Goals (“SDG”) Summit 2024*

In addition, BOCM conducts annual capacity-building initiatives from 2022 to 2024 to ensure that the Board and Senior Management are consistently equipped with the most up-to-date information, and perspectives on climate-related issues. The details of these training sessions are as follows:

- ✧ *2022: The Board, Senior Management and Head of Business Units completed the programme "Rethinking Business Strategies in Driving ESG and Sustainability"*
- ✧ *2023: The Board, Senior Management and Head of Business Units attended the "Risks and Opportunities in Sustainable Finance Programme"*
- ✧ *2024: The Board, Senior Management and Head of Business Units attended the "Task Force on Climate-related Financial Disclosures Programme"*

Employees also participated in ESG-related seminars and conferences organised by both public and private sector entities. These initiatives supported continuous learning and helped align with the latest industry best practices and sustainability developments. Up to 2024, thirty-three employees have successfully completed, and obtained a variety of sustainability certifications and programmes, including:

- ✧ *Climate Risk Certification*
- ✧ *Green and Sustainable Finance Certificate*
- ✧ *Certified Environmental, Social and Governance Analyst ("CESGA")*
- ✧ *Climate Change and Sustainability Finance ("CCSF") by Moody's Analytics*
- ✧ *Sustainability and Climate Risk ("SCR")*
- ✧ *Certified Expert in ESG & Impact Investing*

2.0 STRATEGY

To support the Group's Five-Year Sustainability Plan (2021-2025), BOCM aligns with the Group's strategy to achieve the medium- to long-term goal of "Solidify & Grow: Advancing Toward a New Era of High-Quality and Sustainable Development". The plan outlines three key strategies: "Promoting Green and High-Quality Development", "Building a Mutually Beneficial Society", and "Strengthening Efficient and Transparent Governance", supported by five key measures, all underpinned by comprehensive risk management and control practices.

2.1 Decarbonisation of Investment and Financing Portfolios

To advance BOCM's sustainability strategies and strengthen its portfolio's resilience against climate change, BOCM has pledged to stop financing new coal mining and coal-fired power generation projects since the Q4 2021. BOCM has zero tolerance on the exposure that is not compliant to Guiding Principle ("GP") 5 - Prohibited Activities, specified in the "BNM's CCPT", such as illegal waste management, use of fire for land clearance, illegal deforestation, etc.

In April 2024, BOCM has broadened its restrictive scope and issued the "ESG Sensitive Sector Strategy Statement". The statement specifies BOCM's mid-term strategies for ESG-sensitive sectors in providing financial services, supporting BOCM's long-term sustainability plan. It fosters the implementation of sustainability strategies of both the Group's and BOCM's targets, enhances the resilience of its portfolio to climate change, and fully demonstrates BOCM's commitment to sustainability while balancing the needs for economic development and impacts on climate, environment, and society.

Major ESG Sensitive Sector	Control Requirement
Coal-Fired Power Generation and Coal Mining	<ul style="list-style-type: none"> Do not provide project financing for new coal-fired power generation and coal mining projects (except those already contracted). Stop onboarding any new customers who do not have existing credit relationships with BOCM at the customer group level, fail to provide a transition plan that is consistent with the sustainability targets of the Group and the country where the customer operates, and derives more than or equal to 25% of revenue from coal-fired power generation and coal mining. Require existing customers to provide their transition plans and complete transition plan assessments by the end of 2025. Based on the transition plan assessment result, BOCM will cease providing new financing for coal-fired power generation and coal mining (existing financing will be terminated according to contractual arrangements) to customers who do not have a transition plan consistent with the sustainability targets of the Group and the country where customer operate.
Oil and Gas	<ul style="list-style-type: none"> Do not provide project financing to projects that involve the exploration or extraction of oil and gas in the Arctic region and Amazon Basin. Not provide project financing to projects that involve the exploration or extraction of oil sands and extra heavy oil. Evaluate and adjust credit strategy (if applicable) based on the assessment of the decarbonisation/ transition plan provided by the customer, and financing to customers will be prioritized for green or decarbonisation/ transition purposes.
Mining	<ul style="list-style-type: none"> Do not provide financial services for customers that dump tailings in the ocean or riverine; and Do not provide financial services for asbestos mining.
Forestry	<p>Do not provide financial services that fall within the scope of application to customers which involve below behaviour:</p> <ul style="list-style-type: none"> Illegal logging; or Logging in High Conservation Value (“HCV”) or High Carbon Stock (“HCS”) forests; or Deforestation that poses a significant adverse impact on biodiversity or natural habitats.

Major ESG Sensitive Sector	Control Requirement
Palm Oil	<p>Do not provide financial services that fall within the scope of application to customers which involve below behaviour:</p> <ul style="list-style-type: none"> • Illegal operations; or • Failure to commit and implement the principles of “No Deforestation, No Peat and No Exploitation (‘NDPE’)”.
Project related to UNESCO World Heritage Sites and Ramsar Wetlands	<ul style="list-style-type: none"> • No financing is provided to directly support projects that damage UNESCO World Heritage Sites or Ramsar Wetlands.

2.2 Climate Risk Appetite

BOCM strives to promote sustainable development in its business operations especially in environmental, social, and governance, fostering a strong corporate culture that upholds good ethics and responsible business behaviour. The “Sustainability Policy” has been formulated to guide BOCM's long-term sustainable development and ensure alignment with the Group’s strategic vision, core values, and risk appetite. The policy covers areas including, but not limited to, corporate governance, environmental protection, climate change, community investment, information disclosure, and stakeholder communication. BOCM will formulate sustainability-related activities and plans on an ongoing basis to meet regulatory expectations and timelines, as well as to balance its current risk capability and business opportunities.

Risk appetite refers to the type and level of risk that BOCM is willing to take on to meet the requirements and expectations of various stakeholders, and operate comprehensively and sustainably while achieving its business plans and strategic development objectives, all within its risk-bearing capacity.

BOCM considers its risk tolerance and manages risk based on stakeholders' expectations when drawing up business plans and strategic development objectives. Making sure that the risks are within acceptable limits and aligned with the sustainable development objectives, BOCM regularly assesses and monitors risks to formulate appropriate control measures and management strategies. BOCM has established relevant risk appetite and internal control targets for local brown industries, ensuring they are aligned with the region's economic development. In addition, selected brown industries in BOCM's portfolio have been incorporated into BOCM's target portfolio indicator. This integration supports a robust monitoring mechanism to achieve the Bank's sustainability objectives.

2.3 Promote Low-Carbon Transition and Green Operations

In supporting the low-carbon transition of its business portfolio, BOCM continued to expand its green finance business, and innovate in products and services. BOCM has partnered with customers to reduce carbon emissions both within the portfolio and at the customer level. BOCM remains dedicated to financing climate-related opportunities and sustainable economic activities, including innovative solutions that support sustainable development.

To strengthen its commitment to green and sustainable finance, BOCM has launched the Green Loans and Sustainability Linked Loans, along with ECO Housing Loan Acquisition Campaign. BOCM has also introduced internal funds transfer pricing ("FTP") for Green Loans. These efforts aim to drive the front-line expansion of green finance, reinforcing the Bank's leadership in the industry.

Key Initiatives	
Corporate Banking	BOCM assisted corporate customers in transitioning to low-carbon practices. BOCM also expanded its green and sustainable product offerings by introducing Green Loans and Sustainability Linked Loans. Additionally, BOCM assisted customers in transitioning to renewable energy for their businesses focusing on customers in ESG-sensitive sectors.
Personal Banking	BOCM continually met customers' diverse financial needs, particularly in sustainable finance, supporting their low-carbon transition alongside BOCM's initiatives. BOCM is enriching green product categories and facilities to advance low-carbon transitions in operations and customer services. One such example is the ECO Housing Loan Acquisition Campaign which is a campaign for certified green residential properties.

While recognising the importance of a stable energy supply, BOCM aims to support customers in high-emission industries as they shift towards low-carbon operations. The goal is to ensure the transition is systematic, preventing any unwarranted suspensions or withdrawals of loans. For clients who are unable to provide a sufficient low-carbon transition plan, the Bank will, on a best endeavour basis, encourage the development of an acceptable transition plan, and where applicable, offer green and transition credit solutions.

BOCM has also integrated environmental management into its operations, collaborating with customers to reduce environmental footprints. The Bank adheres to the principle of “reuse wherever possible,” making the most of available resources to avoid unnecessary purchases and waste. BOCM practices energy conservation, focusing on reducing energy consumption and advancing environmental protection. Recent initiatives include efforts to reduce paper consumption, such as replacing paper instructions with email-based formats, cutting electricity usage by switching off office lights during lunch breaks for at least three hours per week, and transitioning from traditional lighting to energy-efficient LED lights.

In addition, as part of its digital transformation, BOCM has expanded its range of high-quality, diversified online banking services while promoting paperless and low-carbon banking. Initiatives such as the “Cashless School Initiative” encourage paperless transactions, promote e-statements, increase the active rate of mobile banking users, and introduce the Combi QR payment system, which enables payments via mobile banking QR codes.

2.4 Product and Service Innovation for Green and Sustainable Finance

BOCM pursues innovation and researches to develop a range of green and sustainable financial products and services that cater to the evolving needs of its customers. BOCM supported businesses in pursuing more ambitious sustainability objectives and adopting green practices. BOCM's commitment included taking all reasonable steps to mitigate greenwashing risk and continuing to build systematic mechanisms that support the growth of green and sustainable products. The summary of the relevant products is provided below.

Green Loan and Sustainability Linked Loan

BOCM provides Green Loans and Sustainability Linked Loans for eligible green projects, as well as loan instruments and/or contingent facilities that enhance the customer's sustainability profile. These loans can be used to finance new or existing eligible green projects partially or fully, whether through initial funding or refinancing. Green Loans are structured in line with the four core components of the Green Loan Principles. Sustainability Linked Loans, on the other hand, incentivise corporate sustainability performance by setting pre-determined sustainability performance targets ("SPTs"), which may include a range of environmental, social, and governance ("ESG") metrics.

In September 2023, BOCM introduced the "Green Financing Guideline" with the clear objective of encouraging the adoption of sustainability and green finance regulations. This approach provides a more transparent guideline for associated loan funding, while also advancing BOCM's green finance agenda. Through this initiative, BOCM is better positioned to offer clients green financing options and assist in the transition to a low-carbon economy by more effectively guiding and supporting projects that meet ESG standards.

BOCM has made significant progress in managing carbon emissions across its financing portfolio. Firstly, the Bank ensures that financing projects adhere to the environmental standards for carbon emission reduction through the implementation of rigorous ESG criteria. Secondly, BOCM encourages green finance initiatives, aiming to reduce its carbon footprint and contribute to sustainable development. These efforts not only help the Bank's clients meet their environmental objectives but also provide a solid foundation for the Bank's green finance initiatives. Successful green project financing options include borrowers across various industries, such as information and communication, real estate activities, electricity supply, and accommodation. All these businesses have demonstrated significant potential for green growth and innovation. One Sustainability Linked Loan was provided to a company operating in the real estate activities.

ECO Housing Loan Acquisition Campaign

In line with BOCM's commitment to sustainability and the promotion of green initiatives, the Bank introduced the ECO Housing Loan Acquisition Campaign. This campaign applies specifically to residential properties certified as green buildings by recognised accreditation bodies such as the Green Building Index ("GBI"), GreenRE, Leadership in Energy & Environmental Design ("LEED"), or BCA Green Mark. Through this initiative, BOCM offers preferential financing rates to encourage consumers to invest in residential properties that support environmental sustainability.

The ECO Housing Loan Acquisition Campaign is designed to promote homeownership of "green" homes, fostering both sustainable living and environmental responsibility among consumers. By offering lower housing loan rates for those purchasing certified green buildings, BOCM aims to facilitate individual contributions to a more sustainable future. This initiative is fully aligned with the Bank's broader strategy of supporting sustainability through financial products that encourage environmentally friendly development and responsible living.

As part of this effort, BOCM sets a target for the approval of the ECO Housing Loan Acquisition Campaign in 2024. By December 2024, BOCM exceeded its goal, achieving a 25% increase over the original target. This success underscores BOCM's role in promoting green housing and its ability to drive positive change in the real estate market while supporting its sustainability objectives.

3.0 RISK MANAGEMENT

3.1 Climate-related Risk Management System

BOCM has integrated climate risk management into its overall risk management system and developed clear policies for its risk management principles, and associated management processes. This integration ensured that specific risks were systematically managed and controlled within acceptable levels. Climate risk and ESG risk are considered in BOCM's Risk Management Framework.

BOCM has implemented a governance structure for managing climate risks. This structure strengthens the "Three Lines of Defence" approach, ensuring proper oversight and guidance on climate risk, and delineates the roles and responsibilities of various units in managing all types of risks, including those related to climate change.

The First Line of Defence – Business Units
<ul style="list-style-type: none"> ▪ Assess and monitor the business's risk profile (including climate risk). ▪ Ensure compliance with risk management policies and procedures.
The Second Line of Defence – Risk Management Units and Supporting Units
<p>i. Risk Management Units are responsible for:</p> <ul style="list-style-type: none"> ▪ Management of various risk categories (including climate risk). ▪ Conducting independent due diligence by identifying, measuring, monitoring, and controlling risks; formulating risk management policies and procedures for various risk categories (including climate risk). ▪ Report on the implementation of risk management policies and risk profiles to the Board, Committees, and Senior Management, providing support and recommendations to aid their decision-making. <p>ii. Supporting Units are responsible for:</p> <ul style="list-style-type: none"> ▪ Supporting business processes and ensuring that relevant systems and human resources are in place for risk management.
The Third Line of Defence – Internal Audit Units
<ul style="list-style-type: none"> ▪ Responsible for conducting independent audits, assessing, and reporting to the Board on the quality of the Bank's risk management supervision and the completeness and implementation status of risk management policies, procedures, and internal controls.

3.2 Climate-related Risk Management Process

BOCM has embedded climate change considerations into its core decision-making processes, which include strategic planning, risk management, capital assessment, and business decisions. This integration helped BOCM seize opportunities while reducing risks and guiding the Bank through the climate transition period. As climate change and its impacts continue to evolve, local regulatory bodies may introduce new requirements. BOCM is committed to adhering to these guidelines ensuring its risk management policies and processes align with all relevant regulatory requirements.

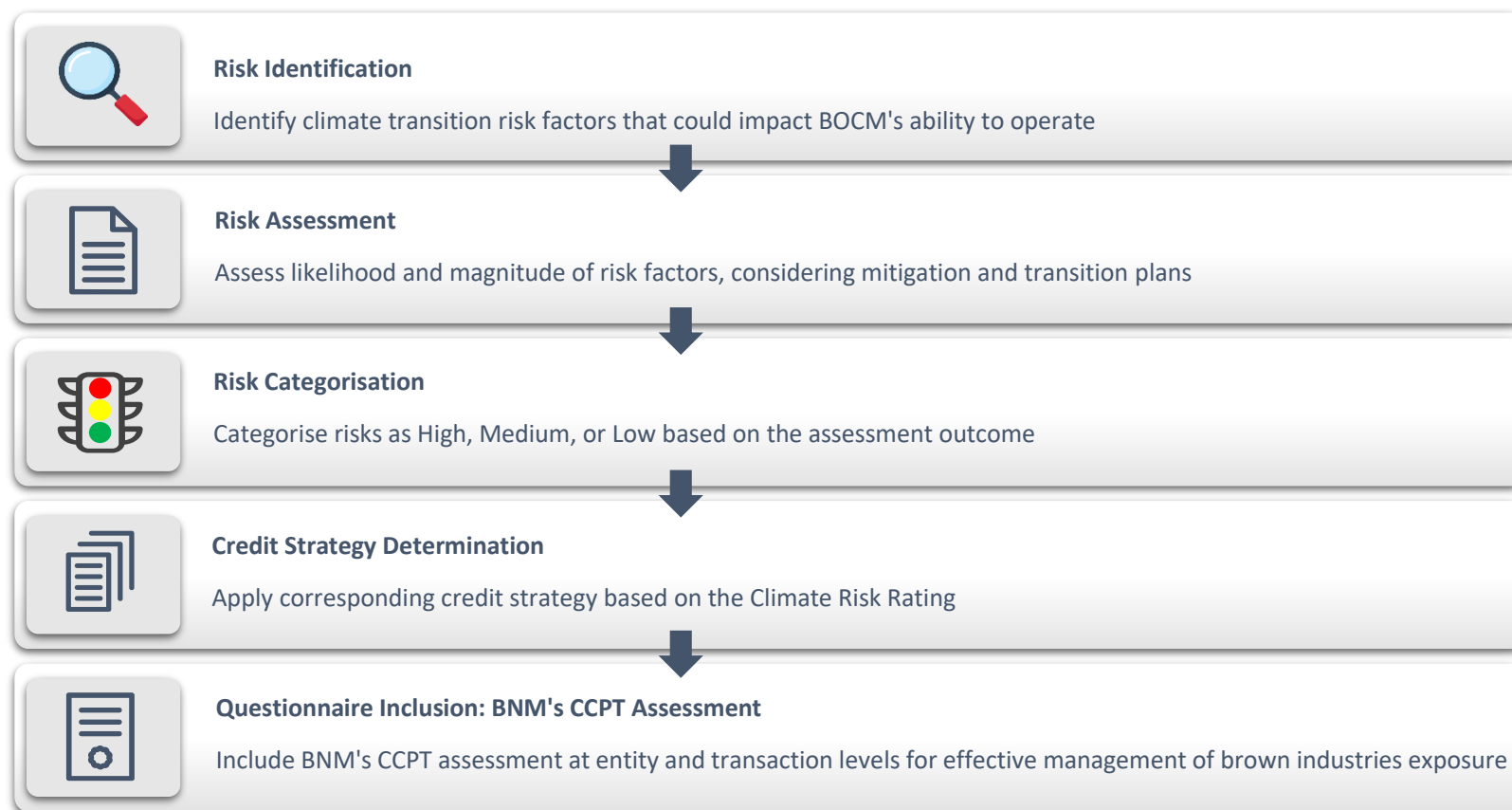
Looking ahead, BOCM's priorities included monitoring regulatory requirements and market trends, continuously enhancing its risk management policies and processes, and bolstering its climate risk management capabilities. Through these efforts, BOCM aimed to manage climate risk appropriately while continually improving its ability to identify, assess, monitor, and mitigate climate-related risks.

BOCM's "Credit Risk Management Related to Climate, Environmental and Social Risks Procedure" clearly specified the key principles and scope, management requirements, management structure, and responsibilities in promoting effective credit risk management towards sustainable finance and business development. This procedure is reviewed annually to ensure its continued relevance and effectiveness. BOCM identifies and manages its credit risk resulting from environmental, climate, and social factors by embedding these considerations into its credit risk management framework.

BOCM has gradually incorporated sustainability risk factors such as the impacts on customers from regulatory, technological, or market changes, as well as the effects on BOCM's operations and asset values due to significant climate changes into its risk management processes, policies, and risk appetite, while continuously improving its sustainability risk management. With consideration of the sectoral, geographical, customer, and project information related to environment and climate risks, BOCM managed the aforementioned risks in the context of credit business from both portfolio and customer perspectives; whilst for social risks, BOCM managed on a case-by-case basis from customer perspective in a prudent manner.

BOCM has progressively refined and enhanced its climate risk assessment requirements for high-carbon industries, aiming to standardise onboarding standards, principles, and management requirements. This approach underscores the importance of recognising and managing the risks associated with engaging in business with high-carbon sectors, supporting the orderly development of business activities. As part of its broader sustainability development strategy, and in alignment with the "ESG Sensitive Sector Strategy Statement", BOCM has developed the "Guideline for Climate Transition Risk (Brown Industry) Analysis".

The “Guideline for Climate Transition Risk (Brown Industry) Analysis” formalises the analysis and management of climate transition risks for brown industry clients. To support effective risk oversight, a Sustainability Risk Assessment Questionnaire is utilised to manage exposures to these sectors. The process is further illustrated as follows.



3.3 Climate-related Risks

BOCM acknowledged that climate-related financial risks constitute a threat to its business and the stability of the entire financial system. BOCM intently assessed and managed climate-related risks and took appropriate approaches to strengthen its resilience and adaptability in addressing the risks associated with climate change. To ensure the safety and soundness of its business amidst these changes, BOCM will continue to monitor and conduct research on the impact of climate change on the financial system. Climate-related risks can be categorised into transition risks and physical risks.

Transition risks refer to credit risks arising from the efforts to address environmental or climate challenges, which might alter the operational and financial position of the customer, due to the change in public policy, technology breakthroughs, shifts in investors or public sentiments, and disruptive business model innovations.

Physical risks refer to credit risks arising from the business disruption of the customer, decline in asset value due to the impact of more severe and frequent extreme weather events (for instance, typhoons, floods, droughts, heatwaves), chronic changes in weather pattern (for instance, sea level rise, temperature rise), losses of ecosystem services (e.g., desertification, water shortage, degradation of soil quality or marine ecology), as well as environment incidents (e.g., oil spills to water bodies, or major chemical release to air, soil and water/ river/ ocean).

Climate risk, being global in nature, manifests in banks through its transmission to other traditional risk types. The TCFD recommendations are used to identify the channels through which climate risk affects BOCM's traditional risk types. The impact of climate risk on BOCM's traditional risks is also assessed.

Sources of Risk		Example	Potential Transmission Channel	Time Horizon	Potential Financial Risk to BOCM	
Risk Category	Risk Driver				Risk Type	Impact
Transition risk	Policy and Legal	<ul style="list-style-type: none"> New regulations introduced to combat climate change (e.g., carbon tax) may have a negative impact on customers' profitability. Litigation due to climate-related events. 	<ul style="list-style-type: none"> Lower corporate profitability and increased litigation. Premature asset write-downs/ stranded assets. Increased public scrutiny and loss of customers. Reduced valuation of properties in high-risk areas (e.g., flood-prone). Higher inflation (due to passing on of carbon tax/ costs). 	Medium/ Long	Credit Risk	<ul style="list-style-type: none"> Potentially higher default rates due to lower customer repayment capacity. Lower collateral valuation due to stranded assets or asset location in areas exposed to physical risks.
	Technology	<ul style="list-style-type: none"> Replacement with new technology results in lower emissions (e.g., electric vehicles in the automobile sector), resulting in lower demand. 		Medium/ Long	Market Risk	<ul style="list-style-type: none"> Losses from sudden repricing of financial and non-financial assets. This is not material for BOCM.
	Consumer Preferences	<ul style="list-style-type: none"> Shift in customer preference towards greener alternatives, affecting the demand for products. 		Short/ Medium/ Long	Reputational Risk	<ul style="list-style-type: none"> Possible reputational impact due to BOCM's financing of carbon-intensive sectors/ greenwashing concerns.
	Reputational	<ul style="list-style-type: none"> Increased scrutiny from stakeholders on BOCM's activities. 		Short/ Medium/ Long	Operational Risk	<ul style="list-style-type: none"> Disruptions to operations/ supply chain and damage to physical assets caused by an increased number of natural disasters.
Physical risk	Acute	<ul style="list-style-type: none"> Increased frequency of extreme weather events (e.g., flooding, drought). 		Medium/ Long	Liquidity Risk	<ul style="list-style-type: none"> Significant withdrawal of deposits and drawdown on credit facilities by customers to pay for damages caused by natural disasters.
	Chronic	<ul style="list-style-type: none"> Rising temperature. Change in precipitation. 				

In all aspects of risk management, BOCM integrated climate risk factors, derived relevant risk countermeasures, and reinforced and improved its comprehensive risk management system. BOCM attentively responded to the risk factors arising from climate change, upheld the principle of prudent risk management, and formulated and consistently strengthened credit risk management policies and industry guidelines related to climate risk.

3.4 Climate Risk Stress Testing

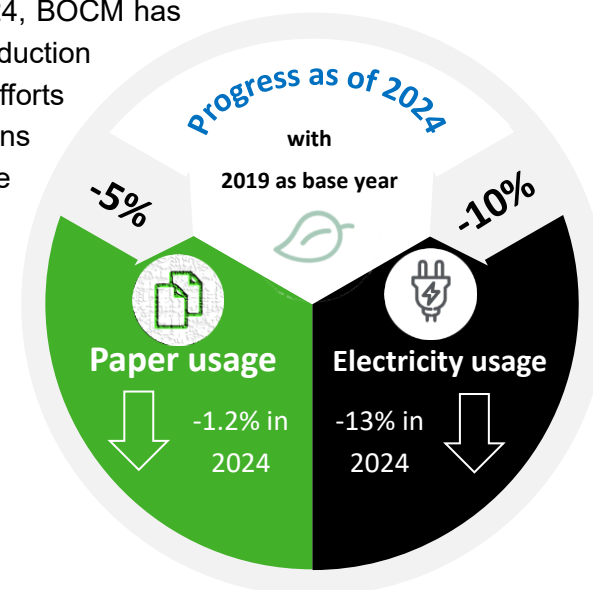
Stress testing is a critical risk management technique used to assess the Group's ability to withstand adverse conditions or financial strain. It enhances the Bank's understanding of its risk profile by identifying vulnerabilities, which helps inform the development of proactive risk mitigation strategies. In line with the BNM's CRMSA guideline, BOCM is strengthening its climate risk scenario analysis and stress testing capabilities. The Bank plans to implement climate scenario analysis and stress testing in FY2025.

4.0 METRICS AND TARGETS

4.1 Climate-related Target

BOCM is committed to minimising its environmental impact by integrating sustainability into all aspects of its operations. Key initiatives include adopting energy-efficient technologies, promoting paperless banking, and transitioning to digital services that engage its customers in sustainability efforts.

To ensure measurable progress, the Bank tracks critical metrics such as energy efficiency, paper consumption, and GHG emissions. These efforts are aligned with the Group's 2021-2025 Sustainability Plan, which outlines specific, measurable targets. By 2025, BOCM aims to reduce paper consumption by 5% and electricity usage by 10%, using 2019 as the baseline. As of December 2024, BOCM has observed a reduction in resource consumption, with a 13% decrease in electricity use and a 1.2% reduction in paper consumption, compared to the 2019 baseline. These outcomes reflect the Bank's ongoing efforts to reduce its carbon footprint and make progress towards its paper reduction goals. BOCM remains committed to continuous improvement and will continue to refine its processes to achieve these objectives.



BOCM is dedicated to enhancing and refining energy-saving and emissions-reduction strategies. BOCM's commitment lies in minimising the environmental impact of its operations through the implementation of energy-efficient and low-carbon practices. The "Sustainability Policy" emphasises key strategies for translating these commitments into practice, such as:

- Promoting and utilising energy-saving technologies to conserve energy and reduce consumption.
- Implementing the principles of reduction, reuse, and recycling, while promoting paperless operations through innovative technologies to minimise waste
- Monitoring GHG emissions, energy use, and other environmental impacts to safeguard natural resources.

4.2 GHG Emissions

BOCM's total GHG emissions have increased by 1.3% compared to 2023, while Scope 2 emissions recorded a 0.6% decrease. The increase in Scope 1 emissions in 2024 is primarily due to the inclusion of refrigerant usage, which was not reported in the previous year. BOCM is on a progressive journey to strengthen its carbon profiling and enhance data coverage across all relevant emission sources. As such, Scope 1 emissions for 2023 have not been restated. The Bank remains committed to improving the accuracy and completeness of its emissions inventory over time. With the goal of further reducing emissions, BOCM will continue pursuing energy-efficient technologies while remaining committed to green banking and sustainable business practices.

Greenhouse Gas Emission Metrics ¹	Unit	2022	2023	2024
Absolute Scope 1 emissions – Direct GHG emissions ²	tCO ₂ e	24.75	30.97	134.91
Absolute Scope 2 emissions – Indirect GHG emissions ³	tCO ₂ e	1,003.36	987.09	981.04
Absolute Scope 3 emissions – Other indirect GHG emissions	tCO ₂ e	6.83	603.91	526.50
Category 6 - Business travel ⁴	tCO ₂ e	6.83	87.71	110.72
Category 7 - Employee commute ⁵	tCO ₂ e	N/A	516.2	415.78
Total GHG emissions (Scope 1 & 2)	tCO ₂ e	1,028.11	1,018.06	1,115.95
Total GHG emissions (Scope 1, 2 & 3)	tCO ₂ e	1,034.94	1,621.97	1,642.45

Note: Data presented in this table have been collated on a best-effort basis from available internal sources and may subject to future updates or refinements.

¹ The calculation standards and methodologies for GHG emissions referenced the “Greenhouse Gas Protocol” which was jointly convened by World Business Council for Sustainable Development (“WBCSD”) and World Resources Institute (“WRI”). The sources of emissions factors for the reporting of GHG emissions are “UK Government’s 2024 Greenhouse Gas Conversion Factors (Department for Energy Security and Net Zero, 2024)” for Scope 1 and Scope 3, while Scope 2 emission factor refers to “Energy Commission’s Grid Emission Factor (“GEF”) in Malaysia (2017-2022)”. The GHG calculations cover carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), while hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃) are not applicable. Greenhouse gas emissions in Scope 3 includes Business Travel and Employee Commute.

² Includes diesel and petrol consumption by the corporate fleet. Refrigerant usage is newly included in 2024.

³ Including GHG emissions due to electricity consumption.

⁴ Emissions from business travel were estimated based on employee claims, including road travel and flight. The scope of business travels includes transportation of employees for business-related activities and training travels in vehicles not owned or operated by BOCM.

⁵ Employee commute data was collected through employee survey from 2023 onwards.

4.3 Transition Risks

By December 2024, BOCM had assessed its exposure to various industry sectors to evaluate transition risk. The overall exposure to brown industry sectors stands at 14.3%⁶, with the petroleum products manufacturing industry accounting for the largest share at 4.3%⁶, followed by the coal-generated electricity sector at 3.4%⁶.

4.4 Physical Risks

Flood hazards for BOCM's headquarters and branches have been assessed, and a "Business Continuity Management Policy" is in place to mitigate the impact in the case of extreme weather events and natural disasters. Of the eight buildings that make up BOCM's headquarters and branches, only the Klang branch is projected to be in a flood⁷ hotspot area.

4.5 Financing and Investment

BOCM has provided green lending for businesses, assets, and transition activities that align with climate-related opportunities. As of December 2024, green lending grew at a rate of approximately 21% year-on-year, compared to 1.43% for conventional loans.

4.6 Capital Deployment

BOCM has allocated its financial resources to climate-related risks and opportunities in line with BNM's CCPT classification. By December 2024, BOCM's exposure of approximately RM 787 million was classified as climate supporting.

⁶ Base is inclusive of performing loans for corporate, SME, NBFIs and non-sovereign bonds only.

⁷ Source: WRI Aqueduct, accessed on 3/3/2025 (<https://www.wri.org/applications/aqueduct/floods/#/>). Settings applied in the Aqueduct Floods Tool are Year-2030 & 2050, Flood type-coastal with subsidence and high sea level rise scenario & riverine, Future scenario-business as usual/pessimistic, Projection model-GFDL-ESM2M, Flood magnitude-250.

APPENDIX: REPORT CONTEXT INDEX

Disclosures in this Report are prepared in accordance with the disclosure requirements of the JC3 TCFD Application Guide for Malaysian Financial Institutions (Basic Recommendations) and BNM's CRMSA.

TCFD Recommendations	Description of Disclosures	Report Section
Governance		
G1: Board Oversight of Sustainability and Climate-related Matters	Disclose nature of Board oversight and accountability with respect to sustainability and climate-related matters, risks and opportunities.	1.1 Governance Structure
G2: Sustainability Governance Structure Including Climate-related Matters at the Management Level	Disclose management-level sustainability governance structure as well as processes for sustainability and climate-related matters, including accountability, responsibility, and decision-making.	1.1 Governance Structure
G3: Sustainability and Climate-related Board Credentials	Disclose sustainability and climate-related credentials, experience, and individual biographies for Board members.	1.2 Board Credentials
G4: Sustainability and Climate-related Training	Disclose the initiatives undertaken and training programmes conducted annually to build capacity of Board members and management on sustainability issues including climate-related matters.	1.4 Capacity Training
G5: Sustainability and Climate-related Discussions in Board Meetings	Disclose the frequency of Board meetings per year in which sustainability and climate-related issues have been a substantive agenda item, and a summary of key climate-related issues and initiatives deliberated.	1.1 Governance Structure

TCFD Recommendations	Description of Disclosures	Report Section
Governance		
G6: Sustainability/ Climate-linked Remuneration	Link Board of Director (excluding independent directors) and top management remuneration to performance against specified sustainability and climate-related targets.	1.3 Sustainability-linked Remuneration
Strategy		
S1: Identification of Climate-related Risks and Opportunities	Review the financial institution's strategy to identify and disclose climate-related risks and opportunities over the short-, medium-, and long- term.	2.1 Decarbonisation of Investment and Financing Portfolios 2.2 Climate Risk Appetite
S2: Impact of Climate-related Risks and Opportunities	Assess and disclose how climate-associated risks and opportunities could affect the financial institution's existing businesses, strategy, and financial planning.	2.3 Promote Low-Carbon Transition and Green Operations 2.4 Product and Service Innovation for Green and Sustainable Finance
S3: Strategy and Risk Appetite on Climate Change-related Risks and Sustainability Measures	Disclose strategy and appetite with regard to climate-related risks and opportunities, and the measures towards sustainability in the financial institution's business activities.	
Risk Management		
R1: Process for Identifying and Assessing Climate-related Risks	<ul style="list-style-type: none"> - Disclose how the financial institution looks at existing and emerging regulatory requirements related to climate change and other relevant factors. - Disclose the risk classification framework(s) used. - Disclose the risk terminology definitions used or existing risk classification framework(s) used. 	3.1 Climate-related Risk Management System 3.2 Climate-related Risk Management Process 3.3 Climate-related Risks 3.4 Climate Risk Stress Testing

TCFD Recommendations	Description of Disclosures	Report Section
Risk Management		
R2: Process for Managing Climate-related Risks	<ul style="list-style-type: none"> - Disclose the financial institution's risk management processes and controls. - Disclose the identities of individual(s)/function(s) responsible for oversight of climate-related risks and its relationship with the business operations. 	3.1 Climate-related Risk Management System 3.2 Climate-related Risk Management Process 3.3 Climate-related Risks 3.4 Climate Risk Stress Testing
R3: Process for Integrating (i) Process for Identifying and Assessing Climate-related Risks and (ii) Process for Managing Climate-related Risks; into Overall Risk Management.	<ul style="list-style-type: none"> - Disclose the integration of processes for identifying, assessing and managing climate-related risks into overall risk management. - Disclose processes for prioritising climate-related risks, including how materiality determinations are made within the financial institution. 	
Metrics & Targets		
M1: Key Climate-related Metrics	<ul style="list-style-type: none"> - Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. - Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks. 	1.3 Sustainability-linked Remuneration 4.2 GHG Emissions 4.3 Transition Risks 4.4 Physical Risks 4.5 Financing and Investment 4.6 Capital Deployment
M2: Key Climate-related Targets	Set and disclose clear climate-related targets based on recognised metrics (including cross-industry, sector-specific metrics and/or institution-specific metrics).	4.1 Climate-related Target

End of Report