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Maybank Investor Day: Sustainability

1 September 2022



Humanising Financial Services

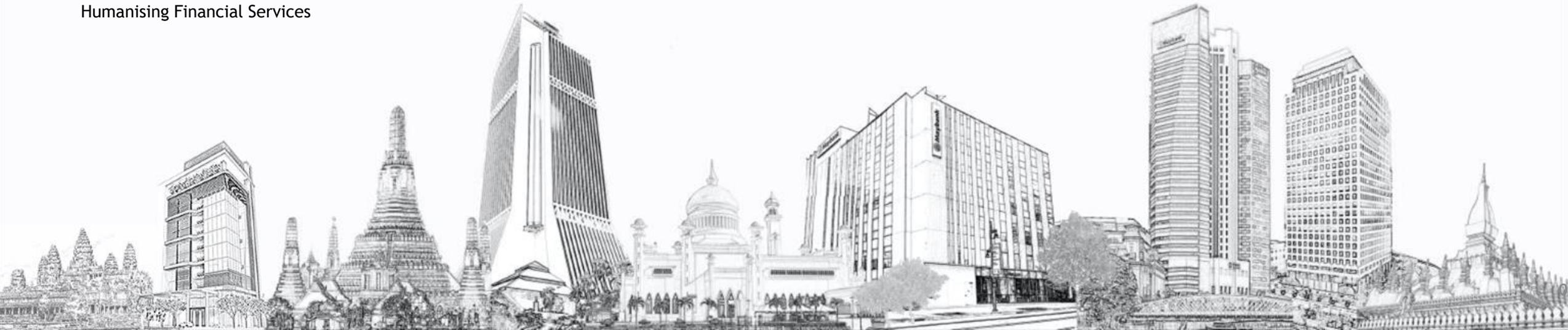


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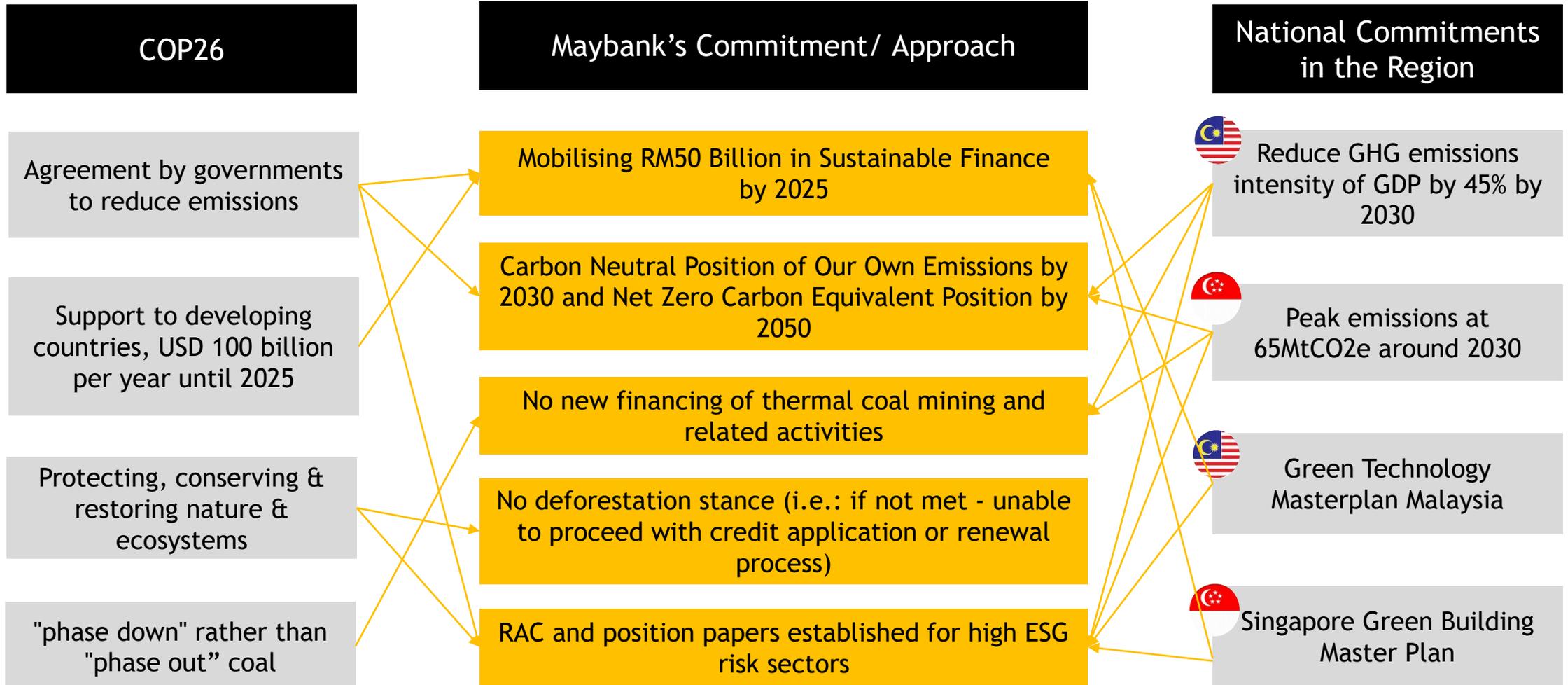
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Maybank Proactively Addresses Key Climate Change Considerations



Globally, countries and businesses recognise the need to increase efforts in combating climate change considerations following “The 2021 United Nations Climate Change Conference (COP26)”



On Track Towards Becoming a Regional ESG Leader



Designed and implemented our own **Sustainable Product Framework** to enable greater development of green, social and sustainable products, to support the Group's RM50 billion sustainable financing commitment by 2025



Embedding **ESG risk management practices** into our businesses at sector, customer and transaction levels. Established position papers on 6 high ESG risk sectors



First in Malaysia to **establish Scope 3 financed emissions baseline** towards meeting our target of net zero carbon equivalent position by 2050



Successfully **reduced 41.1% of Scope 1 and 2 emissions against 2019 baseline** versus our FY2022 target of 40% reduction



Introduced the **ASEAN-Maybank Scholarship programme** with the ASEAN Secretariat for young ASEAN nationals to pursue their undergraduate education within the ASEAN region



Introduction of new **Self-Led Sustainability and Volunteerism Policy**, enabling our people to apply for one-month sustainability leave per year to embark on longer term ESG projects

Maybank Among Top 36% of Global Banks Rated by MSCI ESG Ratings



As a testament to Maybank's progressive advancements in the area of sustainability, we received an 'AA' rating by MSCI ESG Ratings for the second consecutive year. Among some of our other key achievements and recognitions are:



FTSE4Good

Included in the following indices that assess ESG performance of companies, for 9 consecutive years:

- FTSE4Good Bursa Malaysia Index
- FTSE4Good ASEAN 5 Index
- FTSE4Good Emerging Indexes
- FTSE All-World Green Revenues Index
- FTSE Asia Pacific Green Revenues Index
- FTSE Emerging ESG Index
- FTSE Emerging Green Revenues Index

In 2021, Maybank retained its FTSE4Good 4-star rating - the top 25% by ESG rating amongst PLCs in the FBM Emas Index that was assessed by FTSE Russell



Maintained "AA" rating (on a scale of CCC-AAA) during the 2022 MSCI ESG Ratings assessment



Listed on the Bloomberg Gender Equality Index for 5 consecutive years. Highlighting our strength & commitment to diversity, equality and inclusivity



Rated "medium risk" and similar to subindustry average, with strong ESG reporting and board level oversight. However, more efforts required on environmental policies



Maybank IB won Best Sustainable Bank in the Finance Asia Country Awards 2022



Global Banking & Finance Awards 2022 -Best Sustainable & ESG Asset Management Malaysia 2022 for the ESG & Sustainability awards category

^Maybank is among the top 36% of 189 diversified banks rated globally based on the MSCI ACWI Index (All Country World Index)

Progressing Well Ahead of Targets on Four Sustainability Commitments

Two of which are climate-related (Commitment 1 and 3)



COMMITMENT 1:
Mobilising RM50 Billion in Sustainable Finance by 2025

← FY2025(t): RM50 billion →

As of 30 June 2022: RM23.98 billion



COMMITMENT 2:
Improve the Lives of 1 million Households Across ASEAN by 2025

← FY2025(t): 1 million households →

As of 30 June 2022: 718,704 households



COMMITMENT 3:
Carbon Neutral Position for Scope 1 and 2 Emissions by 2030 and Net Zero Carbon Equivalent Position by 2050

← FY2030(t): Carbon Neutral^ →

As of 30 June 2022: 41.1%^

^ for scopes 1 & 2 against 2019 baseline

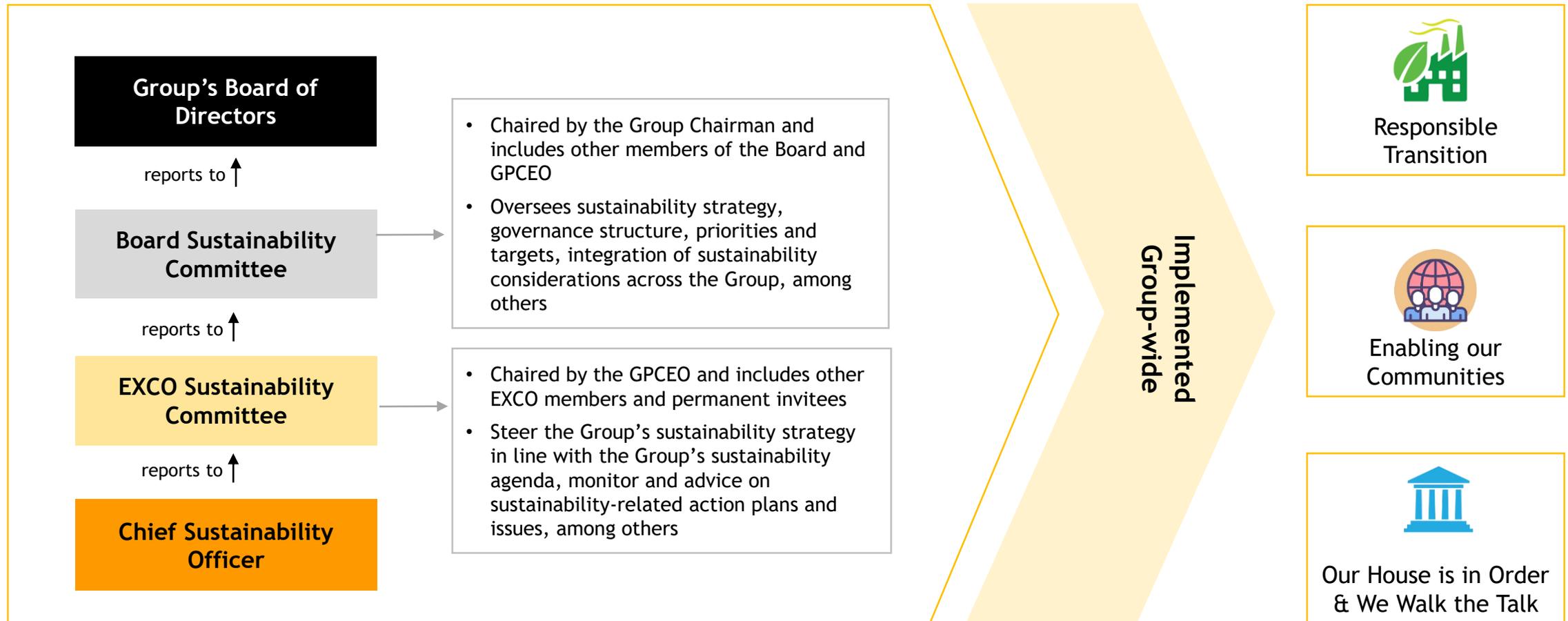


COMMITMENT 4:
Living Sustainability - Achieve 1 Million Hours per annum on Sustainability & Delivering 1 Thousand Significant SDG-Related Outcomes by 2025

← FY2022(t): 1 million hours p.a. →

YTD FY2022: 848,354 hours

Climate-Related Considerations Embedded into Governance Structure



Sustainability KPIs are incorporated into the organisation's performance setting (scorecard) and adopted by Group EXCO members, impacting executive remuneration

Approach is Further Guided by Regional Policies and Standards



Focus Area:	Regulatory Requirements:		Maybank's Response:
Governance	<ul style="list-style-type: none"> • SC Malaysia Code of Corporate Governance Update • Bursa Corporate Sustainability Practitioner Competency Framework 	➔	<ul style="list-style-type: none"> • ESG oversight by BOD with KPIs embedded into the Group's and EXCO's scorecards • Tailored sustainability education programmes to enhance ESG expertise for senior leaders (including BOD and EXCOs) and rolled out Green Lab to activate sustainability practices among employees
Risk Management	<ul style="list-style-type: none"> • MAS Guidelines on Environmental & Risk Management • VBI Financing and Investment Impact Assessment Framework & Sectoral Guide • BCBS Principles for the effective management and supervision of climate-related financial risks 	➔	<ul style="list-style-type: none"> • Group ESG Risk Management Framework in place and embedded across the Group • Climate Risk Policy in development for more targeted guidance on climate risk management • 6 industry RACs established to manage identified high risk ESG sectors
Taxonomy & Sustainable Finance	<ul style="list-style-type: none"> • BNM Climate Change and Principle-based Taxonomy ASEAN Taxonomy for Sustainable Finance v.1 • OJK Green Finance Taxonomy 	➔	<ul style="list-style-type: none"> • Climate-related assessment template developed to enable classifications of retail and non-retail businesses • Group Sustainable Product Framework established to guide development of green, social and sustainable products in line with international standards
Disclosures	<ul style="list-style-type: none"> • ISSB Exposure Draft IRFS S1 General Requirements for Disclosure of Sustainability related Financial Information • ISSB Exposure Draft IFRS S2 Climate-related Disclosures 	➔	<ul style="list-style-type: none"> • Environmental considerations discussed since the first publication of our Sustainability Report (SR) in FY2010 • Made continuous enhancements to our climate-related disclosures in line with TCFD recommendations since SR FY2018

Maybank Drives Climate Thought Leadership Initiatives



Maybank continues to lead and shape climate conversations and initiatives by partnering with regulatory bodies, NGOs and peers



Joint Committee
on Climate Change

- Co-lead the Climate Change and Principle-based Taxonomy Implementation Group, focusing on training, enhancing of origination systems & incorporation of climate-related assessment criteria for the banking and insurance industry
- Curated capacity-building programmes on climate change for the industry as part of the SC4's mandate



PCAF Partnership for
Carbon Accounting
Financials

- One of the first few banks in Malaysia to be a member of PCAF to establish our financed emissions data based on the GHG Accounting and Reporting Standard for the Financial Industry



**ASEAN
Capital
Markets
Forum**

- Led the working group on Strengthening Demand and Supply for Sustainable Finance with recommendations on how the industry can strengthen Sustainable Finance agenda



- One of 2 banks in Malaysia to participate in a pilot study using Paris Agreement Capital Transition Assessment methodology, an initiative by 2DII and WWF-Malaysia, to facilitate climate-related scenario analysis

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We Have Been Progressively Integrating ESG Into Our Business Decisions



High ESG Risk Sectors Contribute 56% of Total Financed Emissions



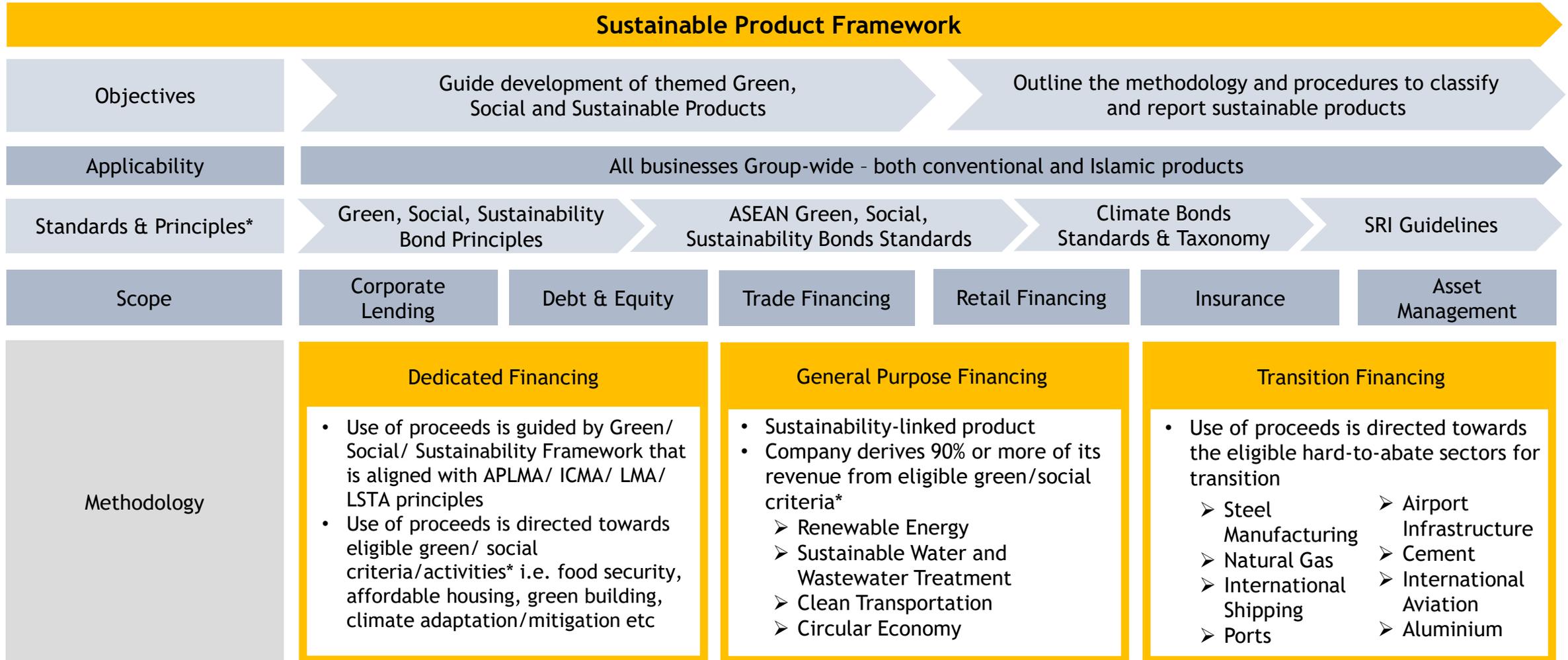
Sectors with significant ESG risks are subject to ESG Risk Acceptance Criteria detailed in Sector Position Papers. Additional sectors will be added, while Palm Oil will be expanded into Agriculture



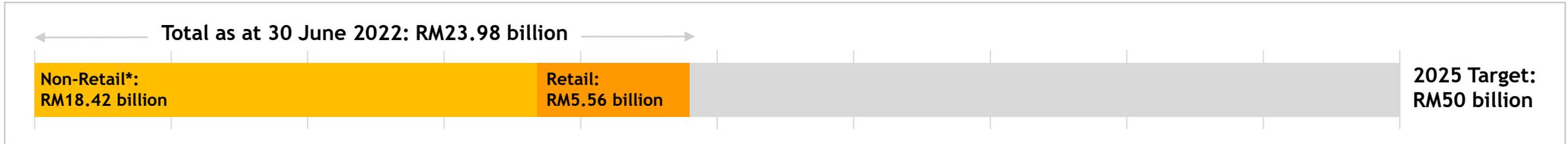
PALM OIL	FORESTRY & LOGGING	CONSTRUCTION & REAL ESTATE	POWER	OIL & GAS	MINING
<ul style="list-style-type: none"> Time-bound commitments in meeting requirements such as certifications, zero-burning practices, FPIC 	<ul style="list-style-type: none"> No financing activities that could lead to significant adverse effects on the environment or communities No illegal logging and trading of illegal timber Time-bound commitments stipulated 	<ul style="list-style-type: none"> Avoid non-green real estate exposures Active engagements with clients to drive low carbon emission practices 	<ul style="list-style-type: none"> Look to ultimately divest from coal-related ventures No new borrowers in thermal coal-related activities, including any new greenfield coal activity Existing clients to demonstrate commitment to reduce reliance on coal power and stop building new coal fired power plans 	<ul style="list-style-type: none"> Existing clients to cease routine flaring by 2030 and strongly encouraged to showcase basic ESG disclosures by 2025 	<ul style="list-style-type: none"> No new borrowers engaged in thermal coal-related activities or derive >25% of annual revenue from thermal coal Support clients' committed to transition towards sustainable practices in-line with Paris Agreement

“No Deforestation, No Peat and No Exploitation” (NDPE) requirements apply

Sustainable Product Framework to Drive RM50 Billion Sustainable Finance by 2025



Almost 50% of RM50 billion Sustainable Finance Target Met by Mid-2022



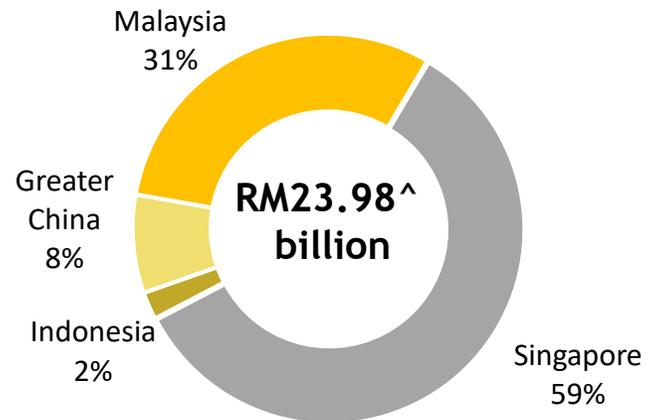
By use of proceeds:

- Non-Retail: >60% towards certified green buildings, buildings that aim to achieve green certification upon completion and sustainability-linked real estate financing
- Retail: >50% towards affordable housing

Recent notable deals:

<p>Joint Lead Arranger & Manager for TNB Group's Maiden Sustainability Sukuk Offering of RM1.5 billion</p>	<p>Bilateral lender for Hillington Park S.À R.L. GBP110 million Sustainability Linked Loan</p>	<p>Joint Lead Arranger for Tembusu Residential Pte Ltd's SGD771 million Green Loan</p>	<p>Joint Lead Underwriter for First IDR Green Bond issued by an Indonesian Bank - IDR5 Trillion</p>
<p>Key Lender for PT Bio Farma's IDR850 bil loan to support production of essential vaccines</p>	<p>Sole Lead Manager & Subscriber for Hap Seng Management Sdn Bhd's RM300 million Sustainability-linked MTN</p>	<p>Bilateral lender for Frasers Property Investments (Holland) B.V. SGD300 million Sustainability Linked Loan</p>	

By country:



*Non-retail includes Group Global Banking (RM17.20 billion) and Business Banking (RM1.22 billion)

[^]Sustainable finance contribution by Myanmar of <0.1% of total financing is not reflected in the diagram

Strengthening ESG Offerings and Integration Across Businesses



The Group aims to provide Islamic and conventional solutions that facilitate a responsible, orderly transition to a low-carbon economy, as well as build capabilities to ensure that we can provide the support that meets our customers' needs



Group Community Financial Services

Committed to offering sustainable retail and non-retail products and services across the region. GCFS has expanded its suite of sustainable offerings over the years and will continue to do so. Current suite of services include:

- Hybrid and Electric Vehicle
- Affordable Homes
- Green Homes
- Solar Panel Financing
- Green and Social Project Financing (Non-retail)



Group Global Banking

Propel sustainable finance and investing business towards establishing its ESG leadership position across ASEAN via ESG market intelligence. Current efforts to be a catalyst of transformational change in the region include:

- Curate customised client offerings:
 - Existing Offerings: Green¹, Social¹, Sustainable¹ & Sustainability-linked¹ Solutions, and Bespoke ESG Research
 - Future Offerings: Transition¹ Solutions for hard-to-abate sectors
- Commit to achieving 30%² AUM in ESG-Linked Funds managed by MAMG by 2025



Group Insurance & Takaful

Dedicated to pursuing sustainability, evidenced by its sustainability focus areas that outline the strategies for addressing ESG in the context of an insurer as well as the expansion of its products & services. Current focus areas in relation to Commitment 1 include:

- Enhance investment decisions via in-house ESG scoring methodology
- Expand green clientele and innovative green products and services
- Enhance underwriting tool & integrate forward looking flood assessment

1. Eligible criteria for these solutions are detailed in Maybank Group's Sustainable Product Framework

2. MAMG's ESG-Linked Funds as at 1H 2022 is circa 10% of its AUM

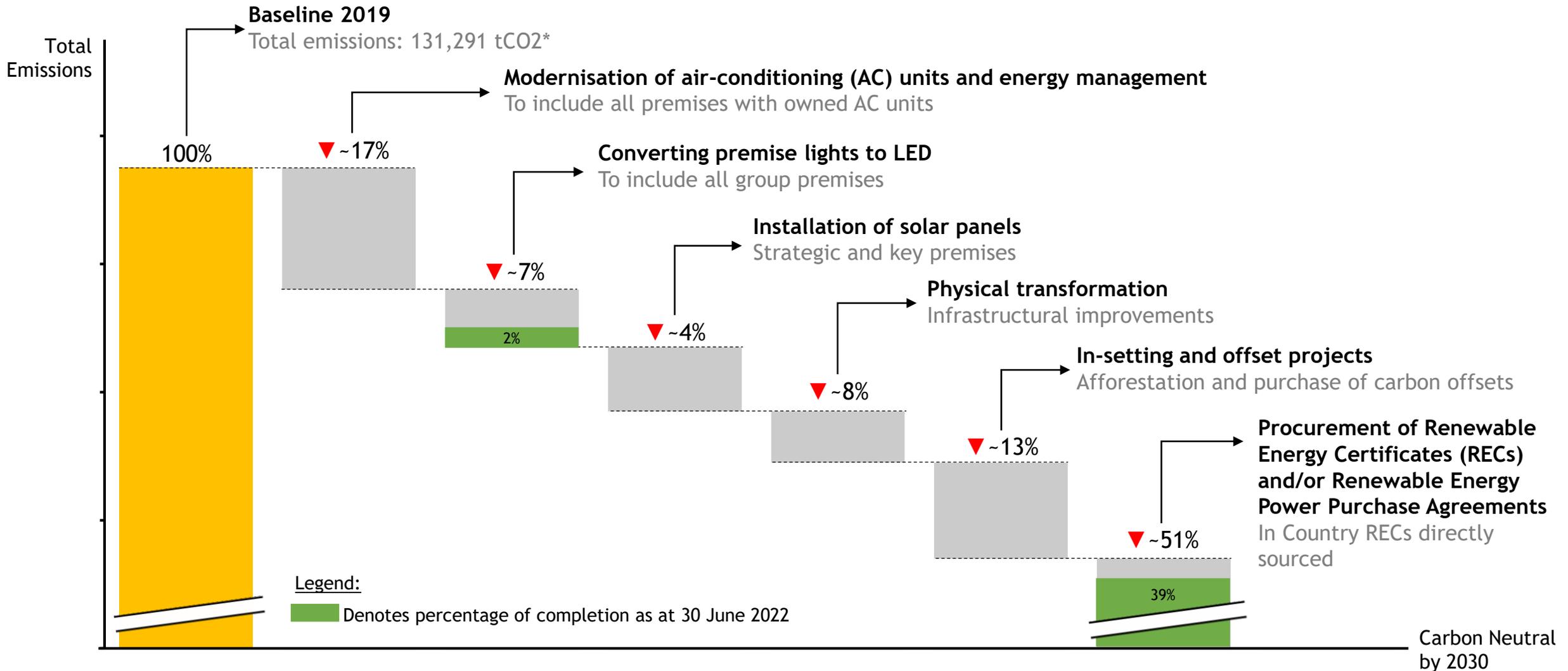
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Well on Our Way to Achieving Carbon Neutrality by 2030

To achieve 50% reduction in emissions baseline by 2025



*Validation is in progress and will be completed by year-end. Note that the 2019 carbon emissions data for scope 1 & 2 in the Sustainability Report covers only seven strategic buildings in Malaysia, representing 30% of the estimated 2019 baseline emissions disclosed here.

Acting on Financed Emissions Findings



97% total emissions contributed by home markets

Action

- Monitor government policies
- Take industry leadership position in building capabilities and solutions

<100 clients* contribute to ~70% of total emissions

Action

- Prioritise engagements with these companies:
 - Require customer-specific emissions data
 - Drive setting of Science Based Targets-aligned climate targets
- Familiarise with clients' transition plans and provide transition support

Key contributing sectors:
Power & Utilities, Oil & Gas, Palm Oil, Agriculture, Real Estate & Construction

Action

- Develop transition financing products to support transition plans
- Set limits
- Conduct quantitative analysis on transition & physical risks and opportunities
- Improve data quality of the measurement
- Perform scenario analysis and stress tests
- Establish a pathway towards decarbonisation

* These clients are from Asset Classes 1, 2 and 3

Transition Priorities and Enablers Towards Net Zero Carbon Ambition



Our immediate priority is to perform a scenario analysis which will then enable us to chart out our financed emissions reduction targets against a timeline. This will also allow us to focus our efforts in engaging with high emitting customers on their decarbonisation journey and in turn have the greatest impact on reducing our financed emissions over the long-term.

✓ Kicked-off

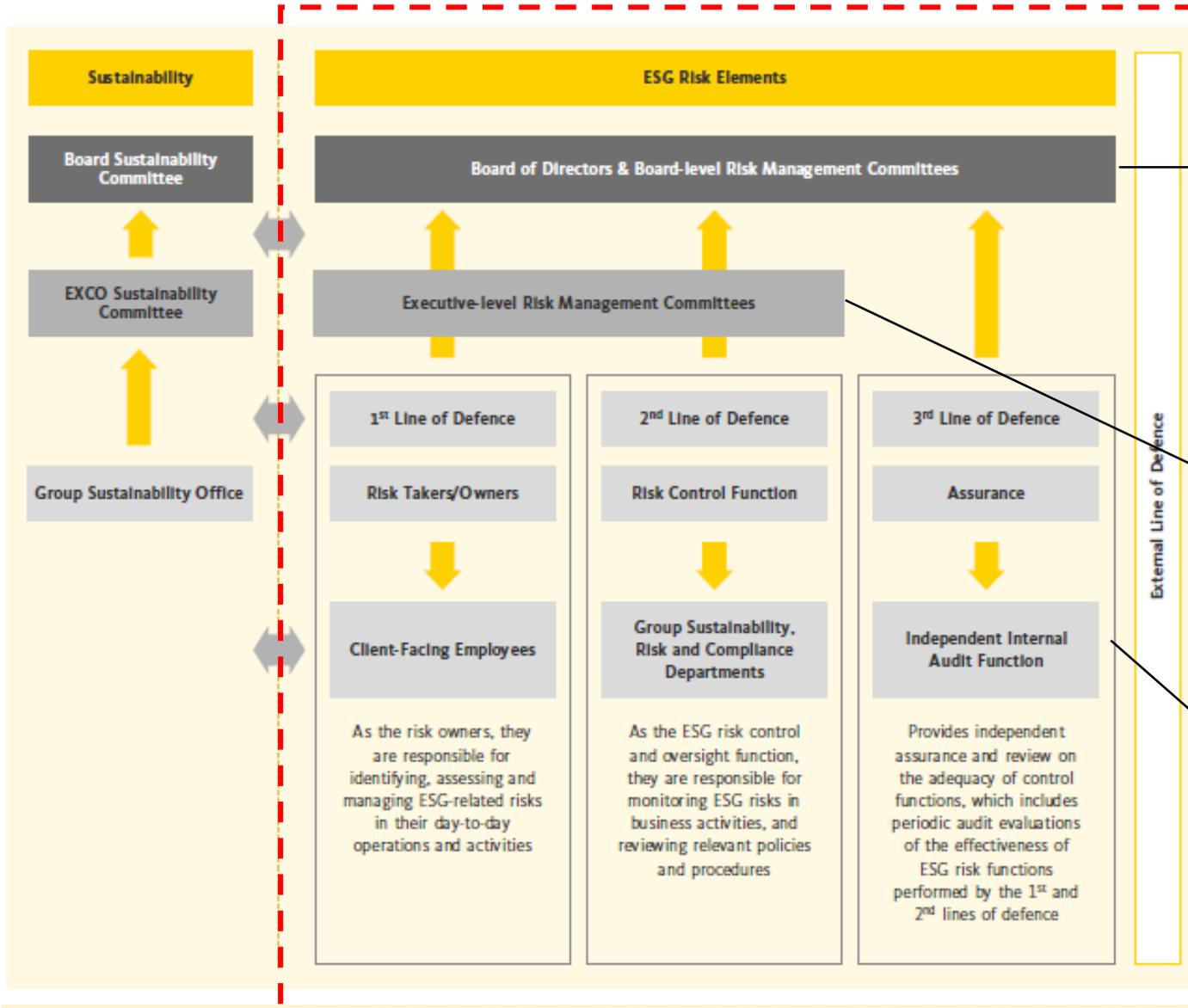


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Robust ESG Risk Governance Oversight



- The Board has overall responsibility for sustainability, including ESG risk considerations
- Supported by relevant Board-level risk management committees, the Board provides oversight and guidance to ensure that Maybank operates within its ESG risk tolerance levels

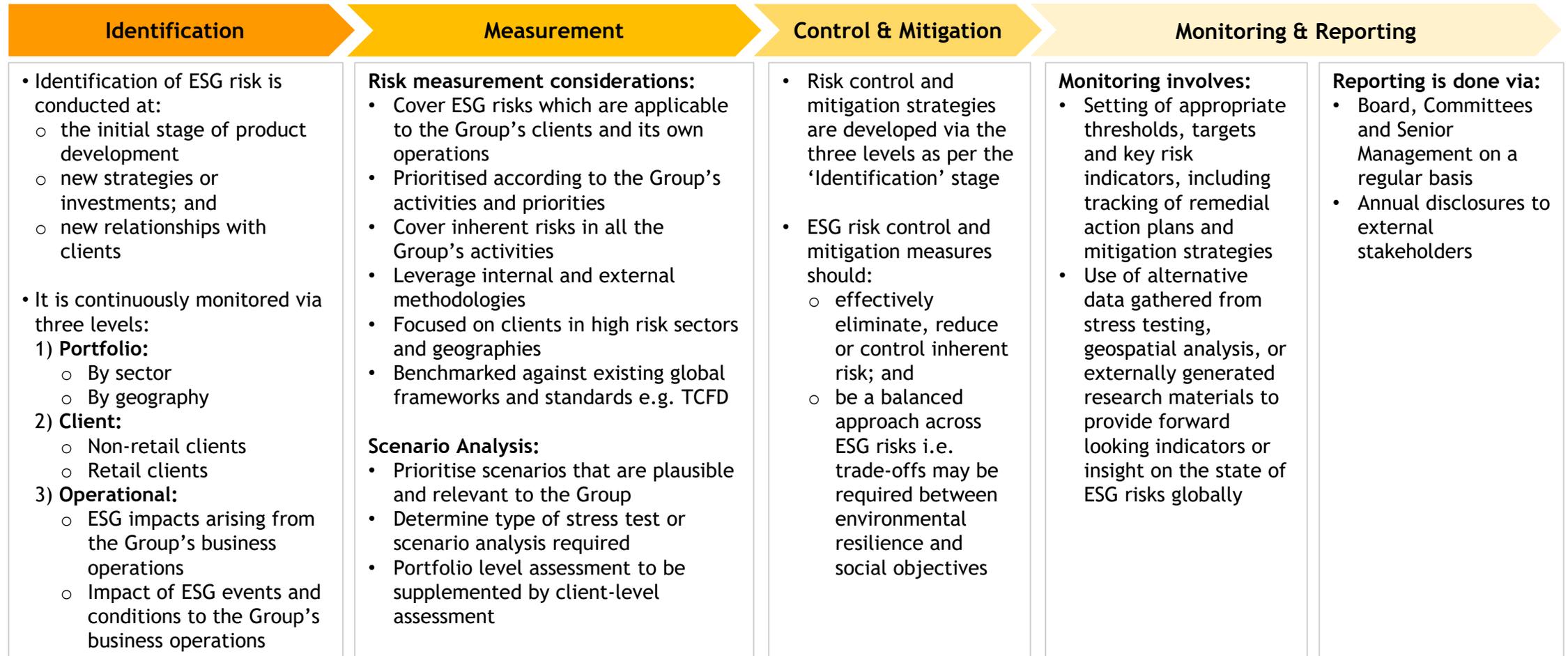
- ESG risk management strategies are reviewed and recommended by the Group Executive Risk Committee (GERC), which is chaired by the GCRO. GERC also reviews and assesses the adequacy of the Group's ESG risk management framework and policies
- The GERC reports to the Risk Management Committee (a Board-level committee)

- To ensure clear ownership and accountabilities of ESG risk management across the Group, the Three Lines of Defence model is utilised

ESG Considerations Are Integrated Into Our Risk Management Process



ESG risk management strategies are integrated into Group's existing enterprise risk management practices and are undertaken via five stages that form a complete risk management cycle



ESG Risk Management Practices are Embedded Into Our Businesses



Maybank Group Sustainability Framework | Maybank Group Enterprise Risk Management Framework

governs our approach on:

Group ESG Risk Management Framework | Group Climate Risk Policy

governs our approach on ESG risk assessments at :

Industry Level

via Portfolio-based Risk Assessments & Analysis

Customer Level

via Enhanced On-Boarding Process by Businesses as the 1st line of defence

Transaction Level

via ESG Assessments at Origination

ESG Risk Management strategies are executed through these tools and initiatives developed and/or implemented by ESG Risk Virtual Teams comprising risk, business and other relevant support functions such as IT and Finance:

Identification

- **ESG Industry Position & Approach** sets the basis of Maybank's stance on a sector and used to identify material risks and growth opportunities
- **ESG Industry, Customer and Transaction Taxonomy** establishes environmentally sustainable economic activities
- **Customer Due Diligence Questionnaires** to screen client's ESG risk

Measurement

- **ESG Risk Scoring** to assess ESG risks of our clients
- **Climate Risk Scenario Analysis, Stress Testing** to manage climate-related risk
- **Paris Agreement Capital Transition Assessment (PACTA) Capacity Building Tool** to assess if a portfolio is aligned against climate scenarios and the Paris Agreement

Control & Mitigation

- **Risk Acceptance Criteria (RAC) / Metrics** to assess the acceptable level of risk
- **Geospatial Land Risk Assessment Tool** to model and predict land trends for risk management and assessment

Monitoring & Reporting

- Annual publication of the **Sustainability Report**
- Participating in CDP's **Carbon Disclosure Project Climate Change Questionnaires**

ESG Risk Management Framework



- The Framework sets out the Group’s approach in managing ESG risks which outlines the Group’s ESG risk levels and corresponding action, unacceptable ESG risk activities, ESG risk governance and oversight accountability as well as ESG risk management practices
- The Framework takes into account key principles and best practices from:
 - United Nations’ Human Rights policy
 - International Finance Corporation (IFC)’s standards, and
 - Global environmental standards such as The World Bank Group’s Environmental and Social Standards (ESS) and the International Organisation for Standardisation (ISO) in setting environmental performance standards

ESG Risk Levels and Responses:

ESG Risk Levels	Action
Unacceptable Risk	<ul style="list-style-type: none"> • Not to proceed with any business relationships • No deviation allowed
High Risk	<ul style="list-style-type: none"> • Existing clients: If assessment on client’s ESG mitigative measures are negative, to stipulate stringent conditions and timelines for the client to adopt ESG risk principles and practices; otherwise exit strategies are to be considered • New clients: Not to carry on with the business relationship, unless there are strong justifications. Strongly urge clients to commit to continuous improvement of their ESG risk management with stringent timeline imposed
Medium Risk	<ul style="list-style-type: none"> • May proceed with business relationships • Monitor client’s ESG practices and implementation • Advice and educate clients on continuous improvement
Low Risk	<ul style="list-style-type: none"> • Proceed with business relationships • Regular monitoring and assessment to be performed

We will not finance/service activities/businesses that:

Environmental	<ul style="list-style-type: none"> • Adversely contribute to climate change due to: <ul style="list-style-type: none"> ○ Significant or irreversible degradation of the environment; or ○ No effort or plans made to mitigate negative environmental impact; or ○ No effort or plans made towards increasing resilience to withstand negative environmental impact
Social	<ul style="list-style-type: none"> • Directly contribute to potential negative societal impact; or • Any misuse from such activities/businesses that could have a detrimental impact to the health, safety and wellbeing of society
Governance	<ul style="list-style-type: none"> • Violate any laws or regulations which are fundamental in safeguarding the rights and liberties of the people and the planet; • Unethical business conduct and compliance practices like bribery and corruption in the organisation • Lack of internal system of practices, controls and procedures to make effective decisions, comply with the law, and meet the needs of external stakeholders

Climate Risk Management is embedded into our Group ESG Risk Management Framework

Climate Risk will be governed by our Group Climate Risk Policy, which is guided by the TCFD and BNM’s Exposure Draft on Climate Risk Management & Scenario Analysis

Addressing Upcoming Regulatory Requirements on Climate Stress Testing



Key Highlights:

- Discussion Paper for the 2024 Climate Risk Stress Testing (CRST) exercise published by BNM at end-June 2022 for industry feedback completed
- Expected requirements of the CRST includes:
 - to be completed at the entity-level including overseas branches
 - to cover at least 60% of exposure (for Maybank, this would include Malaysia, Singapore and most likely Indonesia)
 - to use three adverse scenarios:
 1. Current policy scenario
 2. Nationally Determined Contributions scenario
 3. Delayed transition scenario
 - Counterparty-level analysis covering significant portion of exposure will also be required



Malaysia

Maybank's Response:

- A cohesive national and/or regional data and taxonomy to support banks is necessary to identify and measure climate-related risks and impact
- We have been engaging with stakeholders (business and support functions as well as regulators) in an effort to develop a prototype climate scenario analysis
- We have explored a number of ESG/climate stress testing tools to support our scenario analysis capabilities and plan to run a pilot climate stress test in 2022 to better understand how our business strategy and performance will be affected by climate change



Singapore

- Scenario details and data templates have been released by MAS on April 2022.
- Banks are expected to run three scenarios:
 1. Orderly transition
 2. Disorderly transition
 3. No additional policy scenarios
- Submission of results due on 16th September 2022

- Work is progressing on the stress testing of the three scenarios with initial results reviewed internally in August 2022
- On track for the 16th September submission deadline

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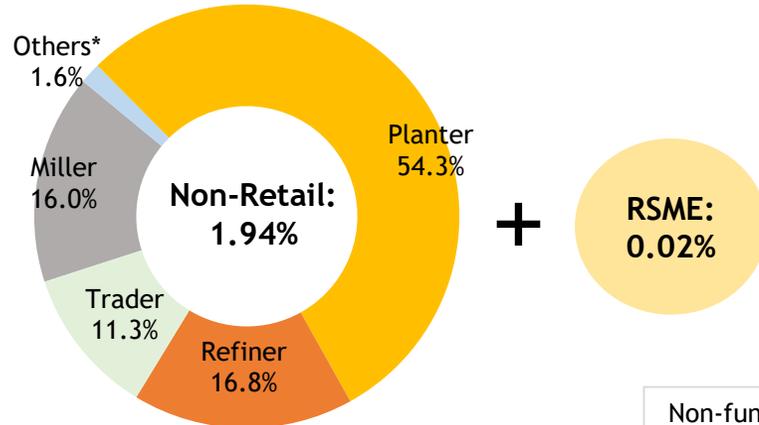
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Group Loan Exposure (Funded) to ESG Vulnerable Sectors is 5% as at 30 June 2022



PALM OIL: 1.96%



Non-funded exposure: 0.11%

*includes Oleochemicals and Contractor

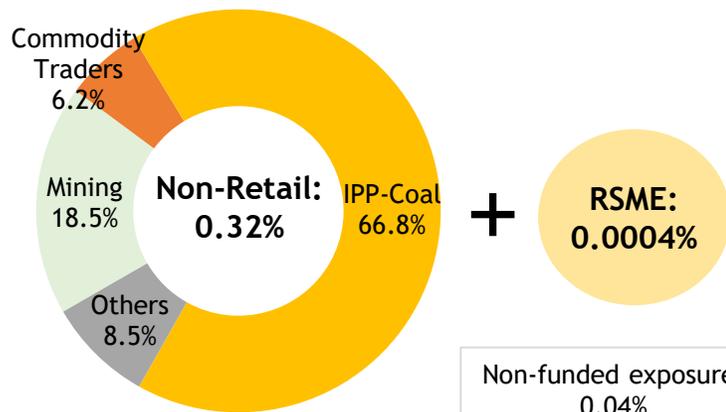
FORESTRY & LOGGING: 0.67%



Non-funded exposure: 0.06%

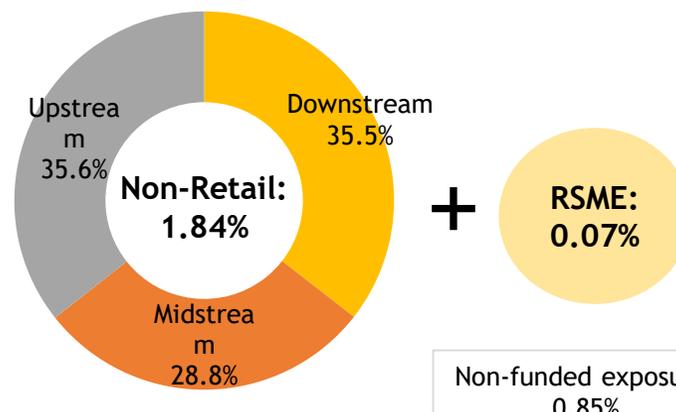
^includes Forestry Upstream (Production), Forestry & Wood Product (Wholesale), Paper Product (Wholesale) and Forestry Support Services.

COAL: 0.32%



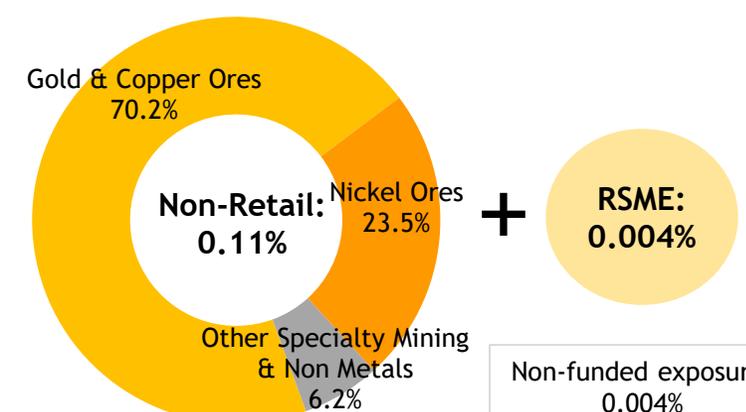
Non-funded exposure: 0.04%

OIL & GAS: 1.91%



Non-funded exposure: 0.85%

MINING (MINERALS): 0.11%



Non-funded exposure: 0.004%

Note: % Non-funded exposure has been calculated against Group Gross Loans.

MALAYAN BANKING BERHAD
14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia
Tel : (6)03-2070 8833

www.maybank.com

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Humanising Financial Services

