

ESG RISK ASSESSMENT TOOLS FOR ESG SENSITIVE SECTORS

In FY 2022, the Group enhanced our ESG Risk Assessment (“ERA”) tool to include the key guiding principles under the Climate Change and Principle-based Taxonomy (CCPT) and ASEAN Taxonomy. The coverage of the General ERA was also expanded to include all industry sectors. The ASEAN taxonomy classification will operationalise tagging of overseas portfolio in phases. This has been implemented by RHB Singapore in early 2023. The General ERA focuses on screening clients based on the following criteria:

- 1 Required industry certifications and Environment Impact Assessment (EIA) approvals
- 2 Legal issues associated with the client’s ESG performance
- 3 Material adverse environmental issues faced
- 4 Material adverse occupational health and safety issues
- 5 Establishment of safe and proper working conditions and labour practices
- 6 Implementation of good corporate governance practices

In addition to the General ERA, additional due diligence assessment via Industry-Specific ERA will be conducted for customers whose activities fall within the eight material ESG Sensitive Sector (“ESS”). RHB will support customers with an ERA rating of “Low Risk” or “Medium Risk”. These are typically those with climate-supporting policies or with transition plans. Exposure to “High Risk” sectors is to be classified as Exceptional Credit. All new approvals and enhancements under high-risk credits will be escalated.

Customers’ adherence to the ERA is monitored and plans committed in addressing their ESG risks are tracked and assessed at the annual reviews stage.

Borrowers rated as ‘High Risk’ under the ERA are included as Exceptional Credits. All approvals under high-risk credits will be escalated to a higher approving authority. Granting of financing to High-Risk customer are contingent on time-bound mitigation measures in place to manage ESG risks. Business units will work with clients on this as part of the annual review process, which includes tracking progress, negative or positive media reports, and obtaining relevant certifications.

To manage physical climate risk, the Group conducts due diligence assessments at the asset level to manage properties that are susceptible and prone to flooding.



Palm Oil

Updated: 2021

RHB’S APPROACH

- Support sustainable palm oil in line with national and international standards.
- Customers with a plantation size of more than 100 acres are required to:
 - Obtain the Malaysian Sustainable Palm Oil (“MSPO”) certification or be in the process of obtaining the certification.
 - Obtain Roundtable on Sustainable Palm Oil (“RSPO”) and Indonesian Sustainable Palm Oil (“ISPO”) certification for those with regional operations.
- Customers with palm oil estates and smallholdings are required to:
 - Adhere to the Malaysian Palm Oil Board Code of Good Agricultural Practice for Palm Oil Estates and Smallholdings or other initiatives in sustainable agriculture, e.g. Malaysian Good Agricultural Practices (“MyGAP”).
- Biodiversity Loss/Deforestation – No new deforestation or conversion of permanent forest reserves, virgin forests, native tropical forests, aboriginal or heritage land or land prone to flooding and no cultivation on steep terrains with a slope of 25 degrees
- No new planting of oil palm to be undertaken in peatland areas. Existing plantation in these areas should be in accordance with the guidelines for best practices on peatland developed by the MPOB or other regulations applicable.
- Support community engagement and inclusion of smallholders.
- Customers with palm oil mills are expected to adhere to the MPOB’s Code of Good Milling Practice.
- Sustainable raw material sourcing.
- Reduce Greenhouse Gas (“GHG”) emissions by not allowing land clearance through open burning and forest fires.
- Adopt responsible methods for proper waste management.

OUR STORY

WHAT SUSTAINABILITY MEANS TO US

INTEGRATING SUSTAINABILITY INTO RHB

RHB’S CLIMATE-RELATED FINANCIAL DISCLOSURES



SUSTAINABILITY SCORECARD

CREATING VALUE BY...

SUSTAINABILITY PERFORMANCE DATA

APPENDICES

...Driving Sustainable & Responsible Finance



Oil & Gas

Updated: 2021

RHB'S APPROACH

Proactively engage with borrowers and support their efforts towards sustainable practices such as:

- Reducing Greenhouse Gas ("GHG") emissions.
- Adopting best practices for proper wastewater management.
- Reducing dependency on conventional fuels and increasing the share of renewable energy in the energy generation mix.
- Improving energy efficiency.
- Practising responsible disposal methods of solid waste/ sludge.
- Preventing oil spills.
- Biodiversity Impact - Ensuring projects and operations have no significant adverse impacts on biodiversity and local ecosystems.
- Supporting community engagement.



Manufacturing of Iron, Steel & Other Metal

Developed: 2019

RHB'S APPROACH

Proactively engage with our borrowers and support their efforts towards sustainable practices such as:

- Reducing GHG emissions.
- Adopting best practices for proper wastewater management.
- Improving energy efficiency.
- Practising responsible disposal methods of solid waste/ sludge.
- Preventing fire and explosion hazards.



Manufacturing of Chemical Products

Developed: 2021

RHB'S APPROACH

Proactively engage with our borrowers and support their efforts towards sustainable practices such as:

- Reducing GHG emissions.
- Adopting best practices for proper wastewater management.
- Practising responsible disposal methods of solid waste/ sludge.
- Improving energy efficiency.
- Water efficiency initiatives.
- Proper chemical handling and storage.



Manufacturing of Cement

Developed: 2020

RHB'S APPROACH

Proactively engage with our borrowers and support their efforts towards sustainable practices such as:

- Reducing GHG emissions.
- Adopting best practices for proper wastewater management.
- Improving energy efficiency.
- Practising responsible disposal methods of solid waste/ sludge.
- Water efficiency initiatives.



Manufacturing of Wood Products Developed: 2021

RHB'S APPROACH

Proactively engage with our borrowers and support their efforts towards sustainable practices such as:

- Reducing GHG emissions.
- Adopting best practices for proper wastewater management.
- Practising responsible disposal methods of solid waste/sludge.
- Improving energy efficiency.
- Sustainable raw material sourcing.




Manufacturing of Plastic Products Developed: 2021

RHB'S APPROACH

Proactively engage with our borrowers and support their efforts towards sustainable practices such as:

- Reducing GHG emissions.
- Adopting best practices for proper wastewater management.
- Practising responsible disposal methods of solid waste/sludge.
- Improving energy efficiency.
- Water efficiency initiatives.
- Sustainable raw material sourcing.



Power Producers Updated: 2021

RHB'S APPROACH

Proactively engage with our borrowers and support their efforts towards transitioning to a low-carbon economy and sustainable practices through:

- Reducing GHG emissions from coal-fired plants.
- Adopting best practices for proper wastewater management.
- Practising responsible disposal methods of solid waste/sludge.
- Reducing dependency on conventional fuels and increasing renewable energy.
- Improving combustion and conversion efficiency.
- Biodiversity impact – ensuring projects and operations have no significant adverse impacts on biodiversity and local ecosystems.
- Supporting community engagement.

Exposure to ESS is monitored and reported to the GSC and BSC on a quarterly basis.

- OUR STORY
- WHAT SUSTAINABILITY MEANS TO US
- INTEGRATING SUSTAINABILITY INTO RHB
- RHB'S CLIMATE-RELATED FINANCIAL DISCLOSURES
- RHB**
- SUSTAINABILITY SCORECARD
- CREATING VALUE BY...**
- SUSTAINABILITY PERFORMANCE DATA
- APPENDICES