SUMITOMO MITSUI
BANKING CORPORATION
MALAYSIA BERHAD

CLIMATE RELATED DISCLOSURE 2025

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About This Report

a) Reporting Scope

The scope of this report covers Sumitomo Mitsui Banking Corporation Malaysia Berhad's ("SMBCMY" or the "Bank") operations, unless otherwise stated. SMBCMY occupies an office premise located at Integra Tower in Kuala Lumpur, Malaysia.

b) Reporting Period

This report covers disclosures for Financial Year Ended 31 March 2025 (FY2025) which is from 1 April 2024 to 31 March 2025, unless otherwise stated.

c) Reporting Framework

This report was prepared based on the following frameworks and standards:

- Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions which was issued on 29 June 2022 by the Joint Committee on Climate Change (JC3)
- The Greenhouse Gas (GHG) Protocol: A Corporate Accounting and Reporting Standard

d) Board Responsibility Statement

To ensure credible and balanced reporting, this report has been reviewed by SMBCMY's Sustainability Committee before it was recommended to the Board of Directors for approval.

The Task Force on Climate-related Financial Disclosures ("TCFD") Application Guide for Malaysian Financial Institutions was issued on 29 June 2022 by the Joint Committee on Climate Change (JC3).

Introduction

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Introduction

Who We Are and What We Do

Sumitomo Mitsui Banking Corporation Malaysia Berhad [Company Number: 201001042446 (926374-U)] is a public limited company incorporated and domiciled in Malaysia operating under a full banking license awarded by Bank Negara Malaysia ("BNM") in 2010 and commenced its business in April 2011. The Bank is principally engaged in full-fledged wholesale and institutional banking and its related financial services. In 2014, SMBCMY established an Islamic Finance unit to provide Islamic Finance services.

The immediate and ultimate holding companies of the Bank are Sumitomo Mitsui Banking Corporation ("SMBC") and Sumitomo Mitsui Financial Group, Inc. ("SMFG") respectively. Both companies are incorporated in Japan.

About SMBC Group

Headquartered in Tokyo, Sumitomo Mitsui Banking Corporation is a leading global financial institution and a core member of Sumitomo Mitsui Financial Group (SMBC Group). Built upon our rich Japanese heritage since 1876, we put our customers first and provide seamless access across the globe.

SMBC is one of the largest Japanese banks by assets with strong credit ratings across our global integrated network spanning 39 countries and territories, 15 of which are in Asia Pacific region. We work closely as one SMBC Group to offer personal, corporate and investment banking services to meet the needs of our customers. With sustainability embedded within our strategy and operations, we are committed to creating a society in which today's generation can enjoy economic prosperity and wellbeing and pass it on to future generations.

The Bank is principally engaged in full-fledged wholesale and institutional banking and its related financial services. In 2014, SMBCMY established an Islamic Finance unit to provide Islamic Finance services.

Management Commentary

Climate change poses unique challenges, and at the same time offers an unprecedented opportunity for transformation and innovation.

Management Commentary

As we stand at the crossroads of a rapidly evolving global landscape, it has become increasingly evident that our collective future depends on our ability to address climate change. The effects of climate change and changes in regulations and industries are expanding, making it a global urgency to address these issues.

The financial services, through its network of resources and influence, can be a powerful driver of positive change in relation to climate change. This is why sustainable finance is not merely an option but an imperative to secure a sustainable and brighter future. Climate change poses unique challenges, and at the same time offers an unprecedented opportunity for transformation and innovation.

As part of a global bank, SMBCMY works together with the SMBC Group to support the transition to a lower-carbon economy, whilst mitigating risks and seizing opportunities to enhance corporate value over the medium- to long-term.

In line with the role that financial institutions can play in addressing climate change, we have produced this report to enable our stakeholders to better understand SMBCMY's exposure to and management of climate-related risks.

This is SMBCMY's first climate-related disclosure and is prepared based on the TCFD Application Guide for Malaysian Financial Institutions; and the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

The report is broadly divided into four main sections: Governance; Strategy; Risk Management; and Metrics and Targets. Various steps have been taken to ensure that the information and data disclosed in this report are accurate, and reliable.

Section 1: Governance

1.1 Board Oversight of Sustainability and Climate-Related Matters
1.2 Sustainability Governance Structure including Climate-Related Matters at the Management Level
1.3 Sustainability and Climate-Related Board Credentials
1.4 Sustainability and Climate-Related Capability Building
1.5 Sustainability and Climate-Related Discussions in Board Meetings
1.6 Sustainability and Climate-Linked Remuneration

Section 1: Governance

1.1 Board Oversight of Sustainability and Climate-Related Matters

The SMBCMY Board of Directors is apprised of sustainability and climate related matters through reporting by the Chief Sustainability Officer ("CSO") cum Deputy President at Board Meetings on a quarterly basis. Besides this, the progress of action plans for Climate Risk Management and Scenario Analysis ("CRMSA") and Climate Risk Stress Test ("CRST") are also tabled to the Board which deliberates on sustainability and climate related matters.

1.2 Sustainability Governance Structure including Climate-Related Matters at the Management Level

The Sustainability Committee was established in November 2022 as the highest executive body for sustainability matters in SMBCMY. At the same time, the role of CSO was established to oversee sustainability-related initiatives at the Bank. To support the CSO and the Sustainability Committee, a Project Management Office ("PMO") and three working groups were formed. The PMO oversees matters relating to governance and strategy. Working Group 1 oversees customer engagement and develops client sustainability solutions. Working Group 2 is responsible for climate risk management. Working Group 3 guides capability building and communication efforts for staff in the Bank.

The key roles and responsibilities of the Sustainability Committee include the following:

Sustainability Committee	1. Establishes sustainability-related strategies and solutions of SMBCMY for clients;
	2. Establishes and supervises the governance framework of SMBCMY in relation to environmental risk management;
	3. Establishes sustainability-related strategies of SMBCMY pertaining to capability building;
	4. Establishes sustainability-related strategies of SMBCMY pertaining to internal and external communication plan, including disclosures made in accordance with the recommendations of the TCFD; and
	5. Monitors and addresses exceptions to the Environmental Risk Management Framework in SMBCMY.

SMBCMY's corporate climate-related governance structure.

The Sustainability Committee is chaired by the SMBCMY CSO. In SMBCMY, currently, the Deputy President also serves as the CSO. The role of CSO includes the following:

Roles of the Chief Sustainability Officer

1. Coordinates the overall promotion of sustainability initiatives including environmental risk management in SMBCMY;
2. Develops and promotes the sustainability agenda and strategy of SMBCMY;
3. Ensures clear communication and cascading of the strategy and internal climate-related targets within SMBCMY; and
4. Supports the Board and Senior Management for sustainability related matters.

1.3 Sustainability and Climate-Related Board Credentials

In recognition of the rising importance of sustainability initiatives and climate-related risks, the Board has taken various steps with the aim of ensuring that they are equipped with the appropriate skillsets in these areas. The skillsets have been incorporated as one of the criteria in the evaluation of the performance and effectiveness of the Board as well as the evaluation of individual skillsets, i.e., Board Skills Matrix.

Based on the results of the Board's effectiveness evaluation for the financial year ended 31 March 2025, the Board was assessed to possess sufficient understanding, knowledge, and skillsets in sustainability issues relevant to the Bank and its business, including climate-related risks and opportunities. Meanwhile, each individual Director was assessed to possess the required Board Matrix Skills relating to sustainability.

The Board currently has five members, comprising one Independent Non-Executive Chairman, three Independent Non-Executive Directors and one Executive Director.

The Board has a majority of Independent Directors which complies with BNM's Policy Document on Corporate Governance. The profile of each Board member can be obtained from SMBCMY's Financial Statements for the financial year ended 31 March 2025.

1.4 Sustainability and Climate-Related Capability Building

To improve their understanding of sustainability and climate-related risk matters, the Board has been proactive in enhancing their skillsets by attending external and internal training programmes and events on this topic.

The Bank's competency framework outlines the required sustainability and climate-related knowledge and skillsets which enable employees, Senior Management and the Board to perform their jobs effectively, as well as to prepare them to meet present and future challenges pertaining to sustainability and climate-related matters.

Employees are expected to develop their competencies focusing on five key areas and corresponding competencies as follows:

Key Areas	Competencies
Sustainability Strategy	Employees of the Bank are expected to understand SMBC Group and SMBCMY's overall strategy and approach to sustainability.
Our Clients	Employees must have relevant knowledge and skills to support our clients in their journey towards sustainability.
Our Solutions	Employees must have the knowledge and skills to introduce and propose Sustainable Finance solutions to clients.
Our Business	Employees should have the ability to embed sustainability risk management and culture in all aspects of our business.
Our Operations	Employees must have the awareness and capability to help the Bank reduce its GHG emission with the aim to be net zero by 2030 (Scope 1 and Scope 2) or sooner and by 2050 (Scope 3).
Our Employees	Employees must have the awareness and capability to embed sustainability in their daily work and in their personal lives.
Our Board of Directors	Board members to be equipped with relevant competencies to ensure that they have a sound understanding of climate-related risks and knowledge about the Bank's business and risk management strategies.

In FYE2025, the Senior Management[1] of SMBCMY attended various training programmes related to sustainability and climate risk, including the following:

- Sustainability Course (In-house training)
- Asia Pacific Division General Manager Sustainability Training (In-house training)
- FY2024 APAC Sustainability Risk Training for Senior Management (In-house)
- C3 Upskilling Sustainability Training (JUST) Series 2024: Risk and Opportunities - Understanding the Materiality of Climate Change to Financial Institution (External training)
- ESG and Climate Risk Management (and CCPT) Programme (External training)

1.5 Sustainability and Climate-Related Discussions in Board Meetings

Since June 2024, updates on sustainability-related matters, including Climate Risk Management and Scenario Analysis, have been provided to the Board on a quarterly basis. The updates also serve as a platform for the Board to deliberate on sustainability and climate-related matters. Prior to that, the Board was apprised of and discussed sustainability and climate-related matters on a regular basis.

[1] Senior Management of SMBCMY refers to the President/CEO, Deputy CEO, and the Deputy President who also assumes the role of CSO.

1.6 Sustainability and Climate-Linked Remuneration

SMBCMY views that it is important to link its Board and Senior Management's remuneration with their performance in relation to sustainability and climate-related targets.

In relation to this, the Bank has commenced exercises to have its Board of Directors (excluding independent directors), Senior Management[2] and Senior Officers[3] to be assessed against the Bank's sustainability and climate-related key-performance indicators.

The Balanced Scorecard of the Bank provides a holistic overview of the Bank's performance and considers diverse indicators ranging from Financial Performance, Sustainable Growth Initiatives, to Management and Compliance.

Both Sustainable Initiatives Goals and Risk and Compliance Goals are included in the Scorecard to ensure compliance with local regulatory requirements including policies related to climate risk management.

This approach cascades through the organisation, departments and individual's performance goals, shaping the distribution of the variable bonus pool based on their annual performance.

[2] Senior Management refers to the President/CEO, Deputy CEO and Deputy President who also assumes the role of CSO.
[3] Senior Officers of the Bank refers to Head of Corporate Banking, Head of Treasury, Head of Internal Control, Head of Information Technology, Chief Risk Officer, Chief Compliance officer, Chief Internal Auditor, Chief Information Security Officer, and Head of Credit Management.

Section 2:
Strategy

Section 2: Strategy

2.1 Our Approach to Transition to Net Zero

SMBCMY's strategy to identify and disclose climate-related risks and opportunities are in line with SMBC Group's approach. The plan is divided into five components, i.e. Foundations, Governance, Implementation Strategy, Engagement Strategy and Metrics and Targets as illustrated in the following table:

Components	Items	Main Contents
Foundations	Corporate policy on responding to climate change and the approach for initiatives.	- Revisions to the SMBC Group Statement on Sustainability and Group Environmental Policy. - Scopes 1 and 2 net zero by FY3/30 - Scope 3 net zero (porfolio GHG emissions) by 2050.
Govervance	Strengthening governance on responding to climate change.	- Supervision by the Board of Directors and internal committees, including the Sustainability Committee. - Establishment of the Group CSuO to oversee and promote initiatives for overall sustainability, including response to climate change. - Enhancement of the executive compensation system and operation of the internal control process. - Capability building for executives and employees.
Implementation strategy	Decarbonisation businesses	- Expansion of decarbonisation solutions: Carbon credits. - Business co-creation for decarbonisation: Suppporting the installation of renewable energy. - Expanding sustainable finance by enhancing risk-taking: New energy and new technologies.
	Climate-related risk analysis and management	- Environmental and social due diligence (corporate/projects). - Policies for specific businesses and sectors.
	Portfolio GHS emissions	- Calculating portfolio GHG emissions and setting goals. - Developing metrics and targets supporting decarbonisation of the real economy.
	Operational GHS emissions	- Introducing renewable energy, switching to EVs, and switching to renewable energy sources at data centres.
Engagement Strategy	Engagement with customers	- Transition Finance Playbook and Transition Finance Scorebook. - Dialogues about transition plans.
	Engagement with industry	- Participating in the PCAF, IIF, Japan Hydrogen Association (JH2A), etc.
	Engagement with governments and authorities	- Participate in various committees organised by the Japanese Government.
Metrics and targets	Sustainability Finance KPIs	- Cumulative total of JPY 50 trilion by FY3/30
	Portfolio GHG emissions reduction targets by sector	- Setting targets for the power, coal, oil and gas, steel, automative, and real estate sectors
	Operational GHG emission reduction targets (Scopes 1 and 2)	- vs FY3/22; 40% reduction in FY3/26, 55% reduction in FY3/27

(Source: SMBC Group Sustainability Report 2025)

SMBCMY applies and implements all targets from SMBC Group. SMBC Head Office monitors the progress of these targets as necessary. The progress is also shared to and monitored by SMBCMY's Sustainability Committee, e.g., amount and classification of sustainable finance deals, alignment with the Transition Finance Playbook and the amount of assets classified as environmental vulnerable sectors which is defined internally.

2.2 Impact of Climate-Related Risks and Opportunities

The progression of global warming and the transition to a decarbonised society will have an impact on SMBCMY's business. These impacts have been analysed from an opportunities and risks perspective. SMBCMY strives to seize growth opportunities by contributing to the decarbonisation of the real economy while mitigating climate-related risks.

The SMBC Group has main targets and action plans for addressing climate change as illustrated in this diagram:

Main targets and action plans		2021	2022	2023	2024	2025	2030	2040	2050
Sustainable Finance							JPY 50 trillion Cumulatively		
Transition Finance (TF)				TF Playbook	TF Scorebook				
Environment and social due diligence		ESG risk summary sheet		Trial run for the framework to confirm the transition plans of each company	Introduction of environmental and social due diligence (Corporates)	Expansion of targets and monitoring of transition plans			
Net Zero	Scope 1 & 2 (operational GHG)	2030 Net Zero Commitment	Introduction of renewable energy at SMBC Head Office building	Introduction of renewable energy at company-owned properties	Introduction of renewable energy at data centers	Mid-term target: -40% (vs. FY3/22)	To be net zero & all domestic vehicles eco-friendly		
Net Zero	Scope 3 (portfolio GHG)	Set target of net zero by 2050	Set mid-term targets Power, coal, and oil & gas	Set mid-term targets Steel and automobile	Set mid-term target Real estate		Achieve midterm targets 6 sectors		Net zero
Coal	Loan balance for coal-fired power generation				Stricter policies for specific businesses and sectors		Project finance 50% reduction from FY3/21	Zero balance for project finance and corporate finance tied to facilities	
Coal	Loan balance for thermal coal mining				Stricter policies for specific businesses and sectors		Zero balance OECD countries	Zero balance non-OECD countries	

(Source: SMBC Group Sustainability Report 2025)

2.3 Strategy and Risk Appetite on Climate Change Related Risks and Sustainability Matters

SMBCMY predicts that there should be events and impacts on our business including the following examples:

Facing transformation of both client's and SMBCMY's business, to capture business opportunities, we aim to expand sustainable finance including transition finance, and to reduce risks, we aim to enhance risk and emissions analysis, policy, and portfolio management.

SMBCMY's sustainability related key strategies are cascaded to the employees via SMBCMY's Sustainability Committee and training sessions within the Bank.

Facing transformation of both client's and SMBCMY's business, to capture business opportunities, we aim to expand sustainable finance including transition finance, and to reduce risks

	Examples of events	Examples of impact on SMBCMY
Opportunities	Business model transformation to significantly reduce GHG emissions. Technological innovation and large-scale capital spending.	Increase in business opportunities due to increase in diverse needs.
Physical risks	Increase in acute disasters such as typhoons and floods. Chronic climate changes such as rising temperatures and increases in rainfall	Increase in credit-related costs and decrease in deposits due to deterioration in customer business performance and impairment of collateral.
Transition risks	Strengthened regulations (Stricter emissions reduction, etc.). Industrial structure changes.	Performance deterioration and increase in credit related costs due to decrease in customers revenue and asset impairment.

Section 3:
Risk Management

3.1 Process for Identifying and Assessing Climate-Related Risks
3.2 Process for Managing Climate Related Risks
3.3 Process for Identifying and Assessing Climate-Related Risks; and Process for Managing Climate-Related Risks; into Overall Risk Management.

Section 3: Risk Management

3.1 Process for Identifying and Assessing Climate-Related Risks

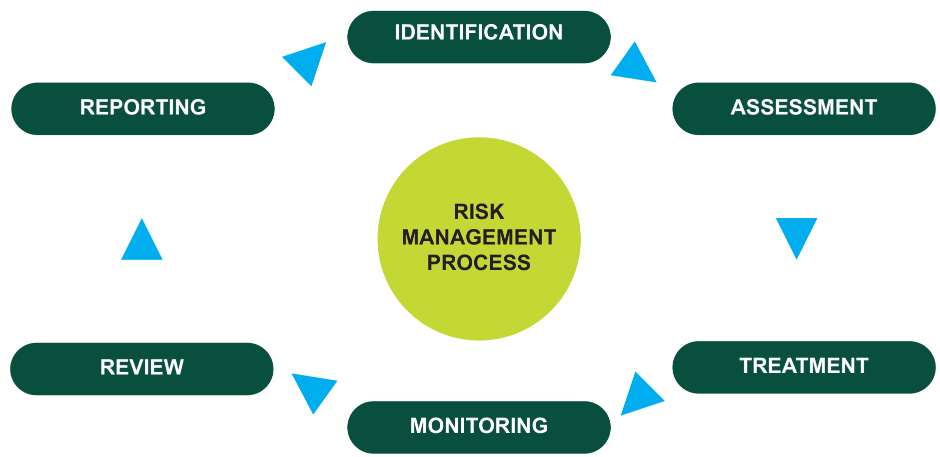
Climate-related risks are managed accordingly in line with SMBCMY's Risk Management Framework, which is accorded as in the diagram on the right.

SMBCMY is currently in the early stages of the risk management assessment process and will work progressively to be aligned with the risk management process.

SMBCMY recognises the severity and overarching impact of climate change across all aspects of the Bank's business and operations. In line with SMBC Group's philosophy to create social value in the realisation of "Fulfilled Growth" and the SMBC Group aims to achieve net zero emissions across our overall investment and loans portfolio by 2050. SMBCMY recognises climate-related risk as a material risk in principle which carries both direct and indirect impact to the organisation. SMBC Group also identifies climate-related risks (both physical and transition risks) as one of the Top Risks.

In addressing climate-related risks, SMBCMY is guided by the fundamental principles as stipulated in our Risk Appetite and Risk Management Frameworks, further complemented by our newly established Environmental Risk Management Policy. These policies serve to integrate climate-related risk considerations within the Bank's strategies, governance and risk culture.

Stage	Summary
Identification	Identify risks arising from climate change events inherent in achieving the Bank's goals and objectives.
Assessment	Assess and analyse the nature, likelihood, and severity of risks.
Treatment	Decide on risk treatment options and establish key controls and processes.
Monitoring	Check, supervise and observe the status of risk and controls in place.
Review	Evaluate the adequacy and effectiveness of risk management.
Reporting	Document and communicate results to management and the Board.



SMBCMY's risk taxonomy forms the basis for identifying material risks faced in the Bank's daily operations, and serves to:

- Establish a comprehensive set of risk categories, which has direct and significant impact on the Bank's objectives and operations;
- Provide a common set of risk categories that facilitates the aggregation of risks from across the organisation; and
- Facilitates comparative analysis over a stable set of risk categories for the Bank over time.

The following table illustrates examples of the events and timeframe that will accompany the transmission of climate-related to each risk categories, as outlined by SMBC Group:

Risk Category	Company-wide Definitions	Event Examples for Climate-related Risk	
		Physical Risks	**Transition Risks**
Credit Risk	Risk for the bank of incurring losses due to reduction or loss of asset values (including off BS assets) resulting from credit events such as deterioration of financial conditions of obligors.	Risk of increasing credit related costs along with the deterioration of customer performance or impairment of collateral items due to natural disasters. (*Short to long term*)	Risks of increasing credit related costs along with the deterioration of customer performance due to stricter regulations associated with the transition to a decarbonized society. (*Medium to long*)
Market Risk	Risk of incurring losses due to fluctuations in the market value of financial instruments resulting from changes in interest rates, currency rates, equity prices, etc.	**Climate change** Risk of falling prices of our strategically held stocks and funds along with the deterioration of customer performance due tonatural disasters. (*Short to long term*)	**Climate change** Risks of deterioration in customer performance and a decline in the value of strategically held stocks and funds along with stricter regulations. (*Short to long*)
Liquidity Risk	Risk of difficulty in procuring funds necessary for settlement due to mismatch in the period between fund management and procurement or unexpected outflow of funds; risk of incurring losses due to forced procurement of funds at a significantly higher interest rate than usual.	Risk of losing deposits along with the deterioration of customer performance due to natural disasters (*Short to long*)	Risk of deterioration of the funding environment and risk of a funds drain from deposits due to deterioration of the SMBC Group's reputation. (*Short to long*)

3.2 Process for Managing Climate Related Risks

SMBCMY is aligned to SMBC Group's aim to achieve net zero emissions across our overall investment and loans portfolio by 2050, and net zero emissions in its own operations by 2030.

Towards this end, SMBCMY is committed to fostering engagement with sectors that have significant GHG emissions, controlling credit portfolios, and sharing our understanding of specific and evaluated climate-related risks within the confines of our "Risk Appetite Framework". To ensure resilience against climate change impacts, we have integrated climate risk considerations into our existing risk ecosystem as follows:

a) **Risk Appetite Framework**
The risk appetite framework of SMBCMY is guided by SMBC Group Risk Appetite Framework that have considered alongside business strategy as the two main pillars of business management. It serves as a management structure where the leadership team shares their understanding of the environment and risk perception surrounding the SMBC Group and undertakes appropriate risk-taking actions.

Risk Category	Company-wide Definitions	Event Examples for Climate-related Risk	
		Physical Risks	Transition Risks
Operational Risk	Risk of incurring losses resulting from improper or non-functional internal processes, people and / or systems, or from occurrence of external events.	Risk of business discontinuation due to damage to the Head Offices and branch office; risk of increasing costs due to the need for a response and recovery. (*Short to long term*)	Risk of incurring losses due to fines and court proceedings relating to sales of products and services that do not meet climate change measures and green finance criteria (*Short to long*)
Reputational Risk	Risk of leading to impairment in enterprise value or a decline in customer trust due to failure in meeting expectations regarding high ethics, sincerity, etc. by stakeholders (customers, shareholders/ markets, society/environment, employees, etc.), resulting fromn certain business operations of SMBC Group or a certain act conducted by its employee or another related person.	Risk of being criticised for a delayed response for business recovery from a damaged Head Office and / or branch offices (*Short to long*)	Risk of deterioration in the reputation of SMBC Group due to a lack of responses to climate change and a delayed response to requests from stakeholders for information disclosure (*Short to long term*)

Short-term: < 4 years, Medium-term: 4 years - 10 years, Long-term: > 10 years
(Source: SMBC Group Sustainability Report 2024)

During the formulation of business strategies and operational policies, the SMBC Group has identified particularly significant risks as "Top Risks" and conducted risk analysis through stress tests and determine the risk appetite, while considering the potential impacts if the risks materialise. In April 2023, SMBC Group added "climate-related" as a new category of risk appetite framework.

As guided by the SMBC Group, SMBCMY has included "Environment & Social (E&S) Risk" as a risk category within our Risk Appetite Framework. This is supported by the corresponding risk appetite statement as a core principle in steering the Bank's efforts in mitigating climate-related risks, which articulates our approach to managing business operations and portfolio credit exposures to material environmental risks.

b) Scenario Analysis

Guided by BNM's Policy Document on Climate Risk Management and Scenario Analysis (CRMSA) and the 2024 Climate Risk Stress Testing Exercise – Methodology Paper, the Bank is incorporating climate change elements into our scenario analysis to enhance the impact assessment of potential climate-related events as follows:

Long-Term Climate Scenarios			
Net Zero 2050 ["NZ 2050"] (Orderly)	**Divergent Net Zero 2050 ["DNZ 2050"] (Disorderly)**	**Nationally Determined Contributions ["NDC"] (Hot House World)**	**Short-Term Acute Physical Risk Scenario**
Strong climate policies and significant green technology breakthroughs rapidly reduce greenhouse gas (GHG) emissions limiting global warming to 1.5 °C. - Limited physical risk - High transition risk	Distributional impacts from strong climate policies are uneven and technology advancements with inherent limitations (lower than NZ2050). - Limited physical risk - Moderate to higher transition risk	Policy measures are fully implemented but inadequate, leading to an approximately 2.5 °C increase in temperatures. High physical risk Lower transition risk	Consider a one-off 1-in-200 years flood event, occurring nationwide in Malaysia consistent with climate conditions in the IPCC's RCP 8.5 scenario in the year 2050.

The scenario analysis aims to assess potential credit losses over a 30-year period, adhering to international best practices such as those recommended by the Financial Stability Board's TCFD. To strengthen our internal capabilities, we are currently in the process of developing scenario analysis assessments to anticipate and manage risks stemming from economic, environmental, and regulatory changes.

c) Client Assessment and Escalation

SMBCMY is aligned with SMBC Group commitment. Hence, we will leverage on SMBC Group's transition plan as well as initiatives by localising relevant initiatives, policies, and guidelines to support SMBCMY's clients and BNM's requirements.

We appropriately identify and manage environmental and social risks through client assessment.

The Bank recognises the importance of managing climate-related risks through a structured governance framework. The oversight of climate-related risks falls under our Risk Management Framework, which delineates roles and responsibilities based on the Three Lines of Defence model:

First Line of Defence:
The first level of the control environment is the business operations which perform day to day risk management activity including managing climate related risks in their day-to-day activities.

Second Line of Defence
The risk and compliance departments that provide independent oversight of the risk management activities of the first line of defence. This function ensures that appropriate policies and procedures are in place and that climate risks are integrated into our overall risk management strategy.

Third Line of Defence
Internal Audit conducts independent assessments of the effectiveness of our climate risk management practices and governance. This function ensures that our approaches are robust and aligned with the Bank's overall risk management framework.

By integrating climate-related risks into our risk management framework, we aim to enhance our resilience and align our efforts with the goals of the SMBC Group

Currently, the SMBCMY is primarily focused on credit risk, which is deemed material to our operations, whereas the other risks, including operational risk, market risk, liquidity risk, reputational risk, and compliance risk, could be considered immaterial to the Bank. Going forward, the Bank plans to assess climate impacts and integrate risk management processes related to these other principal risks.

3.3 Process for Identifying and Assessing Climate-Related Risks; and Process for Managing Climate-Related Risks; into Overall Risk Management.

Climate-related risks are embedded in our internal policies and procedures. Identified risks and key risk indicators ("KRIs") are monitored and reported regularly to the management and regulators, in compliance with our established policies and regulatory requirements.

By integrating climate-related risks into our risk management framework, we aim to enhance our resilience and align our efforts with the goals of the SMBC Group.

Section 4:
Metrics and Targets

Section 4: Metrics & Targets

4.1 Key Climate-Related Metrics

The SMBC Group's key climate-related metrics and targets are as follows:

Key climate and nature-related metrics and targets

To promote strategies and risk management related to climate change and natural capital, we are monitoring the following metrics and targets.

Metrics	Targets	Recent results	YoY
Sustainable finance	Cumulative **JPY 50 trillion** by 2030	Cumulative **JPY 34 trillion** (FY2020–FY2024)	-
Green finance	Cumulative **JPY 20 trillion** by 2030	Cumulative **JPY 11 trillion** (FY2020–FY2024)	-
Portfolio GHG emissions	**Net zero by 2050**	-	-
Oil & Gas	FY2030: **-12 to -29%** (from FY2020)	**24.1** Mt-CO_2e (FY2023)	**-41%** (from FY2020)
Coal	FY2030: **-37 to -60%** (from FY2020)	**2.2** Mt-CO_2e (FY2023)	**-84%** (from FY2020)
Power	FY2030: **138 to 195** g-CO2e/kWh	**276** g-CO_2e/kWh (FY2023)	**-17%** (from FY2020)
Steel	FY2030: **1.2 to 1.8** t-CO2e/t-Steel	**2.0** t-CO_2e/t-Steel (FY2023)	-
Automobile	FY2030: **120 to 161** g-CO2e/vkm	**197** g-CO_2e/vkm (FY2023)	**-4%** (from FY2021)
Real estate	FY2030: **33 to 43** kg-CO2e/m2	**80** kg-CO_2e/m^2 (FY2023)	**-1%** (from FY2021)
Loan balance for coal-fired power generation*	**Zero balance by FY2040** Project finance, equipment-linked corporate finance	Project finance **JPY 194 billion** (FY2024) Equipment-linked corporate finance **JPY 57 billion** (FY2024)	**- JPY 58 billion** (from FY2021) **- JPY 29 billion** (from FY2021)
Loan balance for thermal coal mining sector*	**Zero balance by FY2030** OECD countries	JPY 4 billion (FY2024)	**- JPY 25 billion** (from FY2021)
	Zero balance by FY2040 Non-OECD countries	JPY 24 billion (FY2024)	**- JPY 54 billion** (from FY2021)
Operational GHG emissions	**Net zero by 2030**	**82** kt-CO_2e (FY2024)	**-54**% (from FY2021)

* The amounts described for the most recent results and as the ratios vs. reference year were rounded to the nearest tenth (Source: SMBC Group Sustainability Report 2025)

a) Operational GHG Emissions

The SMBC Group is committed towards net zero by 2030 for the SMBC Group's operational GHG emissions (Scope 1 and Scope 2). To achieve this, the SMBC Group has established an internal control system to measure and calculate GHG emissions in its subsidiaries, branches and affiliates.

SMBCMY measures its Scope 1 and Scope 2 data and has taken steps to reduce the emissions. For example, RM46,366 was spent in July 2024 to replace fluorescent tubes with LED lights in the office premises covering an area of 36,770.15 square feet. This contributed to a significant reduction in electricity consumption.

In addition, indirect emissions (Scope 3) occur in the upstream and downstream activities of the Bank such as business travels, employee commute and financed emissions must also be measured. These emissions are outside of the Bank's direct control but are still part of its value chain and account for a significant portion of its carbon footprint.

Table 4. 1[4] discloses Scope 1, Scope 2 and Scope 3 Category 6 and 7 emissions by SMBCMY.

	FYE2025 SMBCMY (tCO2e)
Scope 1 - Direct Emissions	**6.51**
Mobile Combustion	6.51
Scope 2 - Indirect Emissions	**163.96**
Power	62.85
Chilled water	101.11
Scope 3 - Other Indirect Emissions	**231.91**
Category 6 Business travel	40.08
Category 7 Employee Commuting	191.83
Total	**402.39**

Table 4.1 – GHG emissions (Scope 1, Scope 2, Scope 3 Category 6 and 7) by SMBCMY

Scope 3 emissions are outside of the Bank's direct control but are still part of its value chain and account for a significant portion of its carbon footprint.

4 Summary of Emission Factors
a) Scope 1 - Gasoline (automobile) is from UK Government GHG Conversion Factors for Company Reporting 2024
b) Scope 2 - Power (location based) and chiller water are from Malaysia grid emission factor Peninsular Year 2022
c) Scope 3 - Category 6 Business Travels and Category 7 Employees Commuting are from UK Government GHG Conversion Factors for Company Reporting 2024

The GHG emissions calculation methodology for each of the scope is summarised as follows:

Scope	Calculation Methodology
Scope 1 emissions	Total fuel consumption (litres) x fuel emission factor (tCO_2e/litres)
Scope 2 emissions	Total power and chilled water purchased (kWh) x grid emission factor (tCO_2e/kWh)
Scope 3 emissions -	**Land travel** Total distance travelled (km) x average car emission factor (tCO_2e/km)
Category 6 Business Travels	**Air Travel** Total distance travelled (km) x average passenger emission factor (tCO_2e/km)
Scope 3 emissions - Category 7 Employees Commuting	Employee commuting data such as work rotation frequency, daily mode of transport used, distance travelled, and amount spent for November 2024 was collected from all the employees of SMBCMY. The calculated emissions have been then extrapolated across 12 months.

b) Transition Risks and Physical Risks

Transition Risks

Transition risks are climate-related risks arising from the adjustments necessary for transitioning to an environmentally sustainable economy. These include changes in public policies, disruptive technological developments, and shifts in consumer and investor preferences.

For financial assets exposed to transition risks, there is a concern that credit-related costs may increase due to the transition towards a decarbonised society.

The SMBC Group conducts scenario analyses focused on transition risks, evaluating potential impacts up to 2050, particularly in the energy, power, automotive, and steel sectors, which are presumed to be particularly susceptible to impacts due to their substantial GHG emissions. It is essential to note that the scenario analyses conducted involve a high degree of uncertainty regarding the timing and scale of risk materialisation. Therefore, the current assessments are based on certain assumptions about the anticipated disasters and analysis targets.

Please refer to the following for further details of the analyses extracted from SMBC Group Sustainability Report 2024:

Scenario analysis targeting transition risks is conducted in the energy, power, automobile, and steel sectors, and the impact is assessed up to 2050.

Steps of analysis

Step 1

- In the transition to a decarbonised society, the impact of risk factors anticipated in each sector on business performance for each of the following scenarios, targeting the energy, power, automobile, and steel sectors, which are expected to be particularly vulnerable due to their large GHG emissions are analysed.

  NGFS Current Policies scenario (3 °C scenario)

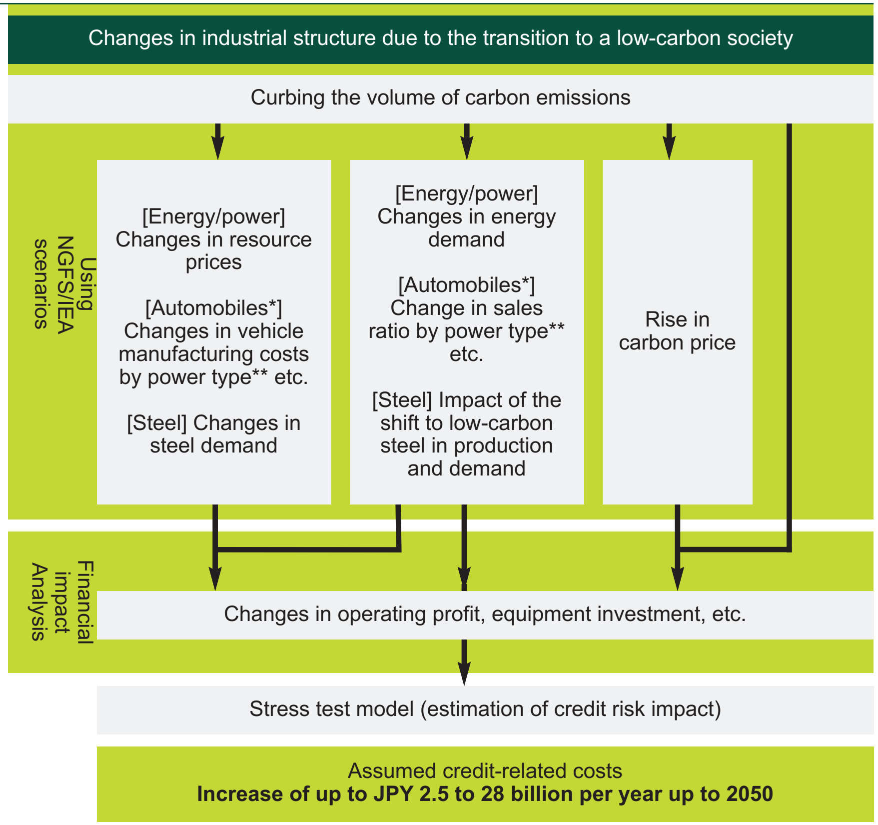
  The Net Zero 2050 scenario (1.5 °C scenario), which also assumes the achievement of carbon neutrality by 2050 under the NGFS

  IEA/NZE scenario (1.5 °C scenario)

Step 2

- Credit-related costs assumed for the period up to 2050 by reflecting the analysis results in the stress test model that estimates the credit risk impact are calculated.

Process overview



* Automobile sector: original equipment manufacturers (OEMs) are analysed.
** All powertrains are analysed, including internal combustion engine vehicles, hybrid electric vehicles, fuel cell electric vehicles, and battery electric vehicles.

Physical Risks

Physical risks such as deterioration of customer's business performance due to natural disasters and collateral damage may increase the Bank's credit-related costs. It could result in economic costs and financial losses resulting from the increasing severity and frequency of amongst others: -

- extreme climate change-related weather events (or extreme weather events) such as heatwaves, landslides, floods, wildfires and storms (i.e. acute physical risks);
- longer-term gradual shifts of the climate such as changes in precipitation, extreme weather variability, ocean acidification and rising sea levels and average temperatures (i.e. chronic physical risks or chronic risks); and
- indirect effects of climate change such as loss of ecosystem services (e.g. desertification, water shortage, degradation of soil quality or marine ecology).

Physical risk drivers are the changes in weather and climate mentioned above that lead to physical risks and impacts on economies and financial institutions.

The SMBC Group conducts scenario analyses for acute physical risk, evaluating water disasters, which are believed to account for the majority of natural disasters caused by climate change up to 2050. It is essential to note that the scenario analyses conducted involve a high degree of uncertainty regarding the timing and scale of risk materialization. Therefore, the current assessments are based on certain assumptions about the anticipated disasters and analysis targets.

Please refer to the following for further details of the analyses extracted from SMBC Group Sustainability Report 2024:

Steps of analysis (Acute physical risks)

Step 1

- Regarding the impact of water disasters on business performance, we calculate credit related costs that are expected to arise from two routes: impairment of collateral value of business corporations and downgrading of obligors classification due to the deterioration of financial conditions.
- In Japan, by using the hazard maps *1 disclosed by MLIT, the assumed flood inundation depth for each of the collateral items and corporate customer located on each map are recognised.
- For overseas, the assumed flood inundation depth for each corporate customer by using AI analysis data from satellite images captured by Jupiter Intelligence are calculated.
- Based on the flood inundation depth data, the collateral impairment impact and deterioration of financial conditions are analysed.

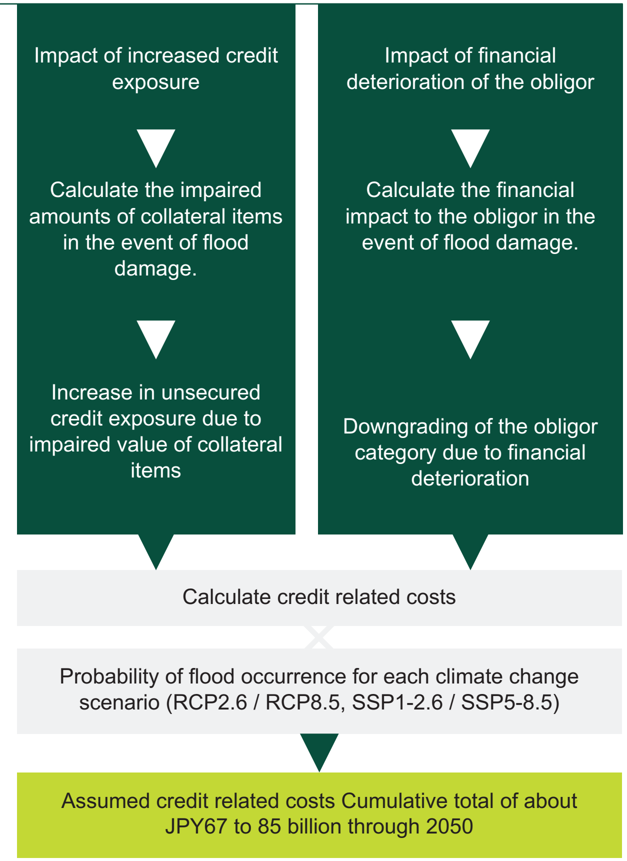
Step 2

- Using data provided by a project to assess flood risk due to climate change *2 being conducted by MS&AD InterRisk Research Institute, the University of Tokyo, and the Shibaura Institute of Technology, the probability of flood occurrence up to 2050 for each of the following scenarios are set: RCP2.6 and SSP1-2.6 (2 ^{0}C scenarios) as well as RCP8.5 and SSP5-8.5 (4 ^{0}C scenarios), which are the basis for IPCC research projects.

Step 3

- The expected credit related costs by applying the probability of flood occurrence for each climate change scenario set in Step 2 to the credit related costs estimated in Step 1 are calculated.

Process overview (Acute physical risks)



*1 Flooding areas expected due to maximum anticipated rainfall.

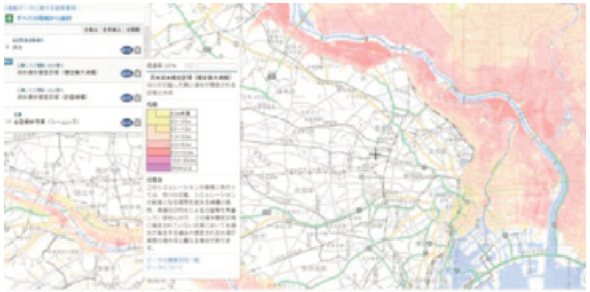
*2 Hirabayashi Y, Mahendran R, Koirala S, Konoshima L, Yamazaki D, Watanabe S, Kim H and Kanae S (2013), Global flood risk unde r climate change. Nat Clim Chang., 3(9), 816 821. doi:10.1038/nclimate1911.

In analysing the acute physical risks (water disasters) mentioned earlier, hazard maps and satellite analysis images are used. Also, a scenario analysis for chronic physical risks (decline in productivity due to rising temperature) and assessed the impacts up to 2050 are conducted where the assumed increase in credit-related amounts about up to JPY 30 billion annually through 2050.

Please refer to the following for further details of the analyses extracted from SMBC Group Sustainability Report 2024:

(Reference) Supplementary materials for acute physical risks

Water disaster hazard map (MLIT: Ministry of Land, Infrastructure, Transport and Tourism**)**



Satellite analysis image (Jupiter Intelligence)

Steps of analysis (Chronic physical risks)

Step 1

- Chronic macroeconomic impacts, including reduced productivity due to rising temperature, under the Current Policies scenario (3 C scenario) of the Network for Greening the Financial System (NGFS) are confirmed.

Step 2

- Credit related costs assumed for the period up to 2050 by reflecting the analysis results in the stress test model that estimates the credit risk impact are calculated.

Process overview (Chronic physical risks)

Impact of chronic physical risks on macroeconomy

▼

Stress test model (estimation of credit risk impact)

▼

Assumed credit related costs
Increase of up to JPY30 billion per year until 2050

Impact Assessment for Transition Risks and Physical Risks

The SMBC Group also reviewed the impact for transition risk, physical risk and opportunities based on sector-specific heatmap associated with climate change. By considering the magnitude of risks and opportunities in each sector, risk management and strategies will be enhanced. The risk evaluation process is conducted for each sector, and the following risks and opportunities are identified as follows as extracted from SMBC Group Sustainability Report 2024:

The SMBC Group also reviewed the impact for transition risk, physical risk and opportunities based on sector-specific heatmap associated with climate change.

Sector	Transition risks	Physical risks	Opportunities
Power	Very High	Low	↗↗↗
Oil and gas	Very High	Middle	↗↗
Coal	Very High	Middle	↗
Air cargo	Low	Low	↗↗
Passenger aviation	Middle	Middle	↗↗
Shipping	High	Low	↗↗
Railroads	Low	Low	↗↗
Truck services	Middle	Low	↗
Automobiles and components	High	Low	↗↗↗
Metals & mining	Middle	Low	↗↗
Steel	High	Low	↗↗
Chemical products	Middle	Low	↗↗
Construction materials	High	Low	↗↗
Capital goods	Middle	Low	↗↗
Real estate	Low	Low	↗↗
Beverages	Low	Middle	↗
Agriculture	Low	Middle	↗↗
Packaged foods & meats	Low	Middle	↗
Paper and forestry products	Low	Middle	↗

We have assessed our sectors' exposures to the very high transition risks sectors, as depicted in the heatmap above, and it is minimal for the financial year ended 31 March 2025.

Bank Negara Malaysia ("BNM") requirement

SMBCMY being a licensed bank in Malaysia is required to comply with the local regulatory requirement set out by BNM.

Climate high risk sectors are identified based on BNM's Climate Risk Stress Testing Exercise – Methodology Paper (Appendix 2) and complimented by BNM CCPT classification. According to BNM CCPT classification, economic activities are classified into three categories (climate supporting, transitioning, and watchlist), whereby each classification represents different contribution levels of economic activities towards climate and environmental objectives.

Please refer to the following, summarised from BNM'S CCPT:

5 Guiding Principles ("GP")

(GP1) Climate Change Mitigation
To reduce/prevent emission of GHG into the atmosphere.

(GP2) Climate Change Adaptation
Process/actions taken to lower the negative effects and/or moderate harm caused by climate change.

(GP3) No Significant Harm to the Environment
(a) Prevent, reduce & control pollution, (b) Protect healthy ecosystems & biodiversity, (c) Use natural resources in a sustainable & efficient manner.

(GP4) Remedial Measures to Transition
Address the significant harm identified at either the economic activity level or overall business level or both.

(GP5) Prohibited Activities
Economic activities being considered/financed not illegal and do not contravene environmental and national human rights & labour laws.

Progressive classification system to acknowledge concrete transition efforts and commitments

Classification		Economic Activity		Overall Business	
		GP1	GP2	GP3	GP4
Climate Supporting Activities with positive impacts* on climate change and causing no significant harm to the environment. *substantial contribution in meeting the following objectives: (a) Avoid GHG emissions; or (b) Reduce GHG emissions; or (c) Enable others to avoid or reduce GHG emissions	C1	GP1 or GP2 or both		√	
Transitioning Activities still causing some harm to the environment, but remedial measures taken to reduce/eliminate identified harm.	C2	GP1 or GP2 or both		x	√
	C3	x		x	√
Watchlist Activities causing some harm to the environment and no remedial measures/ no commitment taken to reduce harm.	C4	GP1 or GP2 or both		x	x
	C5a	x		x	x
	C5b	x		√	

Based on the BNM CCPT submission data from December 2023 to December 2024, majority of the Bank's exposure falls under transitioning classification, representing businesses that are in progressive stage of transitioning. Notably, the composition of climate supporting exposure has increased, whilst watchlist exposure decreased. This reflects the Bank's proactive efforts to support channelling of financial flows to activities that support climate change and environmental objectives, including the transition towards more sustainable practices.

Please refer to the following table for further details:

Classification		Dec'23 (%)	Jun'24 (%)	Dec'24 (%)	Trend
Climate Supporting	C1	1%	6%	6%	
Transitioning	C2 C3	89%	84%	94%	
Watchlist	C4 C5	10%	10%	0%	
Total		100%	100%	100%	

c) Climate-Related Opportunities

Sustainability Related Finance

SMBCMY is constantly focused on creating climate-related opportunities for its clients which includes extending green / social / sustainability-linked loans, as well as green / social / sustainability-linked trade finance. All of the above will be collectively referred to as Sustainability Related Finance ("SRFinance").

As of the end of March 2025, the outstanding balance of SR-Finance stood at RM1,724.8 million. These loans have fulfilled specific environment-related criteria, such as establishing a sustainability framework or achieving Sustainability Performance Targets. SMBCMY's SR-Finance has supported clients' green and social initiatives, including efforts to reduce carbon emissions, e.g. funds have been utilised to purchase and install solar photovoltaic systems.

In addition, SMBCMY introduced green / social / sustainability-linked trade finance as new products in June 2024. It has also provided its first Islamic green finance facility in February 2024, followed by the first Islamic sustainability-inked finance facility in October 2024. Islamic SR-Finance saw significant growth in FYE2025, increased from RM 2.0 million at the end of March 2024 to RM 481.2 million by the end of March 2025.

Green Deposits

In addition to providing the abovementioned SR-Financing, SMBCMY also offers its clients investment in green deposits. Funds deposited as green deposits will be allocated to SMBCMY's eligible green assets and projects in global, in line with the Bank's Green Deposit Framework. Hence, this will contribute to its client's broader sustainability objective.

A cumulative total of RM1,463.7 million has been placed as Green Deposits at SMBCMY (including rollover) since May 2023. Nevertheless, SMBCMY continues to actively promote Green Deposits to its clients to raise awareness among clients about the purpose and value for such sustainable investments.

On top of that, SMBCMY has launched a new product, the Green Liquid Deposit, in March 2025 to further support the clients' sustainability initiatives. SMBCMY believes this will lead to a gradual increase in demand for Green Deposits where its clients are able to make sustainability-oriented investment with their deposits.

d) Client Engagement

SMBCMY understands that certain climate related projects require expertise and "know-how" which could often be one of the hurdles for clients to embark on their sustainability journey. To encourage and support its clients on climate related projects, SMBCMY is going the extra mile by conducting business matching among its clients to support their green initiatives, climate-related information sharing sessions, and climate-related information seminar / workshop / conference with clients.

The business matching would involve the following steps:

- Understand the requirement of the client's sustainability related project.
- With consent from the client, SMBCMY will shortlist potential companies that could be an existing customer or related party.
- SMBCMY will conduct a meeting with the potential company to ensure that the company's ability and capacity is the right fit for the sustainability related project.
- When the potential company has been identified, SMBCMY will connect its client to the potential company to initiate the conversation on the sustainability related project.

SMBCMY also conducted climate-related information seminar / workshop / conference with clients e.g. information sharing to clients in seminars and conferences as a presenter or a panellist, organised a workshop relating to sustainability related financing and business opportunities for companies in the state of Sarawak in November 2024.

We believe that this effort will achieve a win-win situation where the Bank is able to grow with its clients while achieving sustainability goals and objectives together.

Year	FYE2025 Number of meetings
Total number of engagement meetings relating to climate risk/opportunity with the Bank's clients	**15**
Topic/Theme of the client engagement meetings:	
Climate-related Business Matchings	3
Climate-related information sharing sessions	7
Climate-related seminar / workshop / conference with clients	5