

Principles for Responsible Banking

Report on the Implementation of the Principles

Bank Pembangunan Malaysia Berhad (BPMB)

Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Response:

[Bank Pembangunan Malaysia Berhad \(BPMB\)](#), incorporated in 1973, is a development financial institution (DFI) wholly owned by the Malaysian Government through the Minister of Finance (Incorporated). The Bank provides medium- to long-term credit and financing facilities, focusing on underserved segments in Malaysia. Additional insights on the types of products and services offered are provided in Section 3.2 Business Opportunities. Key customer segments include stakeholders in infrastructure, maritime, oil and gas, technology, and capital-intensive manufacturing industries.

BPMB's operations are exclusive to Malaysia, targeting sectors critical to national development. Details regarding the specific portfolio distribution and breakdown are addressed in Section 2.1 (b). BPMB's activities are guided by Agenda 2025—a three-year strategic roadmap launched in 2022. This initiative strengthens governance, enhances operations, and builds a talent hub to ensure BPMB's contributions align with Malaysia's goals of economic growth, social equity, and environmental stewardship.

To evaluate the development impact of our financing activities, BPMB utilises the Measuring Impact on National Development (MIND) Framework, developed in collaboration with the World Bank. This framework ensures our portfolio aligns with Malaysia's national development plan and sustainability objectives. By identifying both benefits and challenges, MIND enables a balanced investment approach across the Bank's portfolio.

Links and references:

- 1) BPMB's [website](#)
- 2) BPMB's [AIR2023](#):
 - Pg. 1, 'Who We Are'
 - Pg. 8, 'Group at a Glance-Agenda 2025'
 - Pg. 10 -19, 'Chairman and GCEO's Statements'
 - Pg. 48, 'Our Value Creating Business Model'
- 3) BPMB's [Financial Statement 2023](#),
 - Pg. 84 – 101; Note 9 on Loan, Financing and Advances

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☐ UN Guiding Principles on Business and Human Rights

☐ International Labour Organization fundamental conventions

☒ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones:

- 1) Bank Negara Malaysia (BNM)'s Climate Risk Management and Scenario Analysis (CRMSA) Policy Document
- 2) BNM's Climate Change and Principle-based Taxonomy (CCPT)
- 3) Task Force on Climate-related Financial Disclosures (TCFD)

☐ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: -----

☐ None of the above

Response:

BPMB's Approach to Sustainability Alignment

BPMB recognises sustainability as a strategic priority, reflected in our overarching MIND and Sustainability Framework (M&S Framework), established in 2024 as part of Agenda 2025. This Framework outlines our sustainability governance, strategy, risk management, and performance metrics and is anchored on three key pillars:

- 1) Supporting impactful national development,
- 2) Developing an inclusive and diverse talent pool,
- 3) Driving responsible business practices.

Aligned with global and national frameworks, the M&S Framework integrates the 12th Malaysia Plan (12MP) and the Sustainable Development Goals (SDGs) to guide BPMB's financing decisions and ensure projects deliver meaningful environmental, social, and economic outcomes.

Our MIND Framework goes beyond credit-centric assessments, incorporating a holistic evaluation of each project's impact and generating a Development Impact Score (DIS) to guide financing decisions. We integrated Bank Negara Malaysia's Climate Change and Principle-based Taxonomy (CCPT) into our Climate Change

Links and references:

1) BPMB's [AIR2023](#)

- Pg. iv
- Pg. 6
- Pg. 8 – 9, Group at a Glance: Our 3-year Strategy - Agenda 2025
- Pg. 49 – 51, 'MIND Transformation'
- Pg. 67 – 74, 'Our Commitment to Climate Action'

2) UNGC [website](#)

Risk Assessment (CCRA) and Climate Change Risks Framework to identify, measure, and monitor climate-related risks and opportunities.

BPMB actively contributes to the global sustainability agenda by adhering to the principles of the UN Global Compact and the UN Environment Programme Finance Initiative Principles for Responsible Banking. Our Annual Integrated Report (AIR2023) is prepared in accordance with the Integrated Reporting Framework, and our climate-related disclosures are aligned with the recommendations of the TCFD.

Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements (a-d)²: 1.

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response:

The BPMB impact assessment framework, MIND Framework or MIND1.0, was jointly developed with the World Bank in 2021. MIND 1.0 enhances project evaluation by transitioning from a credit-centric approach to a holistic end-to-end assessment. The MIND impact analysis primarily focuses on projects that contribute to sustainable development and align with national priorities, including investments in renewable energy, affordable housing, education, and healthcare sectors.

The scope of the impact analysis extends across all stages of transactions, from origination to post-completion. This involves a thorough review of environmental, social, and economic performance, ensuring that projects are evaluated comprehensively. In 2024, BPMB successfully implemented the MIND 2.0, an enhanced impact assessment framework that scores projects

Links and references:

BPMB's [AIR2023](#)

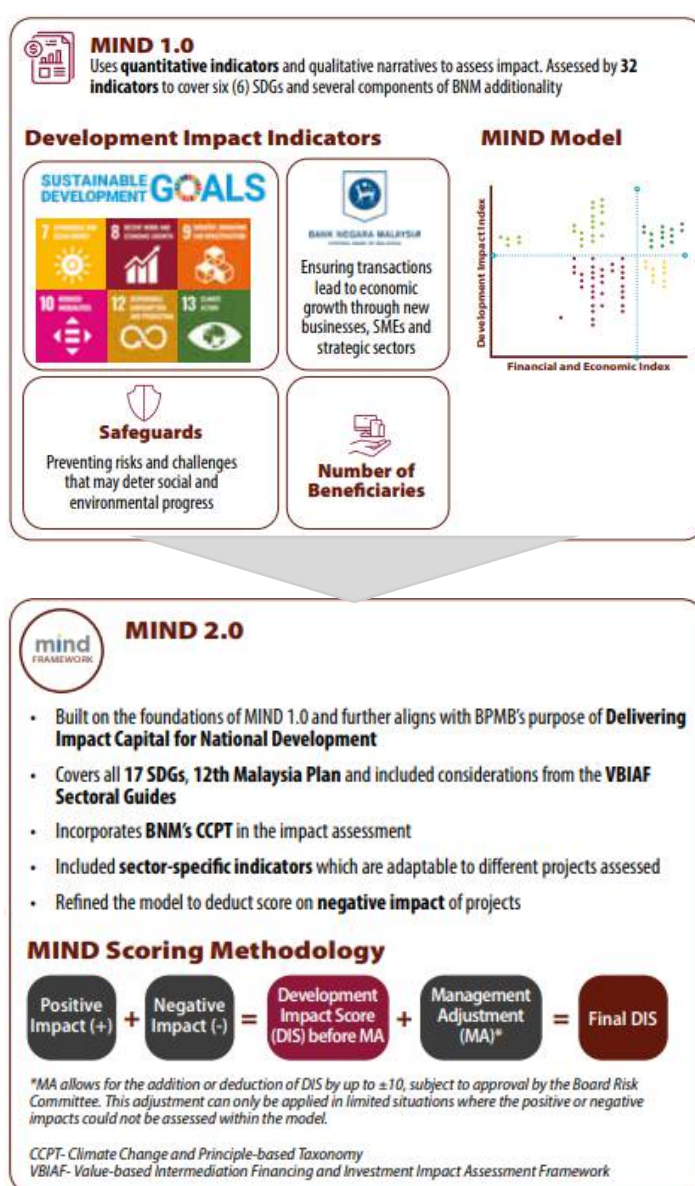
- Pg. 49, Our Measurement Framework
- Pg. 50 -51, MIND Transformation
- Pg. 73, Incorporating MIND in the End-to-End Transaction Process

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

² Further guidance can be found in the [Interactive Guidance on impact analysis and target setting](#).

holistically using a net impact evaluation methodology. The methodology assesses both the positive impacts and potential ESG risks of each transaction. This updated approach reflects the evolving needs of sustainable development practices by providing a more precise assessment of the net impact of development projects by meticulously evaluating their environmental, social and economic implications on top of incorporating the CCPT classifications as one of the indicators.

The illustration below showcases the MIND methodology evolution to ensure its alignment with the evolving needs of sustainable development practices:



b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries³ for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

Response:

The MIND Framework is used to assess 100% of new financings on the projects' economic, environmental and social impacts. Additionally, BPMB performs an annual MIND review on all performing accounts in our portfolio.

Loans, financing and advances (as of year-end FY2023 and FY2022) analysed by industry are as follows:

Industry	FY2023		FY2022	
	RM'000	%	RM'000	%
Construction	2,711,432	13.05	3,059,830	16.81
Electricity, gas & water supply	1,283,750	6.18	1,254,729	6.90
Finance, insurance/takaful & business	8,452	0.04	116,858	0.64
Hotel & restaurants	1,650,299	7.94	1,632,168	8.97
Housing	2,197	0.01	3,893	0.02
Infrastructure	9,208,705	44.31	6,150,856	33.80
Manufacturing	725,927	3.49	795,791	4.37
Other community, social & personal service activities	373,980	1.80	295,810	1.63
Real estate, renting & business activities	1,903,625	9.16	1,876,800	10.31
Transport, storage & communication	2,914,201	14.02	3,010,308	16.54
Total	20,782,568	100	18,197,043	100

Links and references:

BPMB's [Financial Statement](#), Pg.89, Note No.9 Loans, Financing and Advances

³ 'Key sectors' relative to different impact areas, i.e. those sectors whose positive and negative impacts are particularly strong, are particularly relevant here.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate?⁴ Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response:

In addressing sustainable development, we recognise several key challenges and priorities in our operating regions:

- 1) **Economic challenges:** In 2023, Malaysia's economy experienced a significant slowdown due to global trade declines and tighter monetary policies, which impacted the manufacturing and services sectors. As a response, we prioritise revitalising domestic demand by providing strategic financing aligned with the new MADANI development initiatives under the 12MP across critical sectors, social infrastructure, technology and sustainable development.
- 2) **Transitioning to a low-carbon economy:** Malaysia has committed to reducing carbon emissions by 45% by 2030. However, this goal presents challenges, including the need for significant financial investment, policy improvements, and capacity building to implement and manage sustainability projects effectively. To support this transition, BPMB is actively involved by participating in national initiatives, co-financing sustainable projects, and collaborating with experts, such as those from the Malaysian Green Technology and Climate Change Corporation, to build capacity.
- 3) **Inclusivity:** Despite government efforts to bridge regional development gaps, challenges remain, including low adoption of strategic planning policies and a digital divide, particularly between Peninsular Malaysia and Sabah/Sarawak. BPMB's MIND Framework addresses these challenges by evaluating projects' financial, economic, social, and environmental sustainability. This approach prioritises job creation and improving livelihoods in underserved areas, fostering a more inclusive and balanced national development.

Links and references:

BPMB's [AIR2023](#), Pg. 43 – 47, Our Operating Environment and Outlook

⁴ Global priorities might alternatively be considered for banks with highly diversified and international portfolios.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)⁵? Please disclose.

Response:

1) Positive and negative impact areas

BPMB's [MIND model](#) assesses positive outcomes (positive impact), including economic growth, improved quality of life, and advancements in sustainability. The model also identifies potential challenges (adverse impact), such as environmental degradation and social inequalities, ensuring a comprehensive understanding of the benefits and risks associated with each transaction.

2) BPMB's significant impact areas

Given the pressing challenges of climate change and economic inequality (as per our response in 2.1(c)), we have identified the following as high-priority impact areas:

- **Supporting the national agenda:** BPMB is committed to supporting the national agenda including the 12MP, the National Energy Transition Facility, Greening the Industrial Park and the National Industrial Master Plan. We focus on accelerating the development of eight strategic and high-impact industries and activities. We play a vital role in driving economic growth and social progress through strategic financing for critical infrastructure projects and innovative solutions.
- **Climate change mitigation and adaptation:** We actively support projects that reduce greenhouse gas emissions, promote renewable energy, and enhance climate resilience. In 2023, we financed South East Asia's first hydrogen-powered, autonomous rapid transit in Kuching, Sarawak, through a collaboration with UOB Malaysia and China Construction Bank (Malaysia) Bhd, which provided financing of RM264.5 million. By financing low-carbon technologies and sustainable infrastructure, we contribute to a greener and more sustainable future.
- **Poverty alleviation through inclusive economic activities:** We are committed to fostering inclusive economic growth by supporting projects that benefit underserved communities. In 2023, six out of ten financed projects are located in these underserved and unserved areas. We expect these initiatives to create 6,662 jobs both before and after project completion, significantly improving the quality of life, reducing poverty, and establishing sustainable livelihoods. By prioritising projects in rural areas, we aim to bridge the development gap and create a more equitable society.

Links and references:

- 1) BPMB's website,
 - [MIND and Sustainability – What Are We Measuring?](#)
 - [BPMB – UOB – CCB Funds SEA's First Hydrogen-Powered Autonomous Rapid Transit](#)
- 2) BPMB's [AIR2023](#), Pg. 51, Expected Impact From The Projects Approved in 2023

⁵ To prioritize the areas of most significant impact, a qualitative overlay to the quantitative analysis as described in a), b) and c) will be important, e.g. through stakeholder engagement and further geographic contextualisation.

d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the [Annex](#).

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

Response:

BPMB has identified key sectors and customer types that yield the strongest positive and negative impacts using our impact measurement framework, MIND 2.0. We prioritise sectors such as infrastructure, energy, transport and technology. These were selected based on their potential to drive economic growth, social development and environmental sustainability.

To comprehensively assess the performance of these investments, we employ a structured approach comprising the following components:

- 1) **Impact areas:** We evaluate the economic, environmental and social changes stemming from our financial activities. The impact areas developed for MIND 2.0 are based on national objectives, specifically the 12 MP, the SDGs, BNM's guidelines, and other relevant references.
- 2) **Indicators and metrics:** MIND 2.0 includes a series of indicators that quantify both positive impacts—such as job creation and environmental benefits—and negative impacts, such as potential social displacement or ecological degradation. This dual approach allows us to gain a complete understanding of our financing's effects.
- 3) **Qualitative assessment:** We conduct stakeholder interviews, site visits, and document analysis to capture the contextual nuances of our financing impacts. This qualitative insight enriches our understanding and informs better decision-making.
- 4) **Quantitative assessment:** This entails using data and statistical analysis to measure the magnitude of impacts, such as financial performance metrics, social impact metrics, and environmental impact metrics.

Links and references:

BPMB's [AIR2023](#),
 - Pg. 50, MIND Transformation
 - Pg. 51, Expected Impact From The Projects Approved in 2023

By integrating qualitative insights with quantitative data, our assessment delivers a holistic view of our financing's impact on different sectors and customer types. This enables BPMB to strategically prioritise areas for improvement, especially in critical domains such as climate action and financial health and inclusion. Ultimately, this comprehensive approach ensures that our financing activities are not only effective in promoting sustainable development but also well-informed, responsible and aligned with Malaysia's developmental objectives.

The following figures demonstrate the impact of BPMB's financing cumulatively since the introduction of MIND:

- 1) 780 km of road constructed/rehabilitated
- 2) 1,230 MW renewable and transition energy projects financed annually
- 3) RM474 mil green financing
- 4) 22,090 jobs created
- 5) 1,488 units of affordable housing built
- 6) 114,680 patients served

Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?⁶

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☒ Yes	☐ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, resource efficiency and circular economy

How recent is the data used for and disclosed in the impact analysis?

- ☐ Up to 6 months prior to publication
- ☒ Up to 12 months prior to publication
- ☐ Up to 18 months prior to publication
- ☐ Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.:
(optional)

⁶ You can respond "Yes" to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.

2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets⁷ have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with⁸ have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

Response:

At BPMB, we acknowledge the importance of climate action in addressing climate change challenges and ensuring a sustainable future for all. We actively manage climate risks and opportunities, promote low-carbon development and facilitate our customers' transition to a green economy.

We have incorporated climate change and sustainability into our business strategy to deliver impact capital for national development. Our sustainability strategy focuses on:

- 1) Supporting impactful national development,
- 2) Developing an inclusive and diverse talent pool
- 3) Driving responsible business practices.

Our sustainability strategy aligns with:

- 1) BNM's CRMSA and CCPT Policies Documents
- 2) 12th Malaysia Plan
- 3) United Nations SDGs

We have completed our materiality assessment in 2023 and identified headline sustainability targets, including achieving carbon neutrality for scope 1 and scope 2 operational emissions by 2030, with a longer-term ambition to achieve net zero emissions by 2050. We have also identified our climate-related risks and outlined action plans moving forward as disclosed in our [AIR2023 on page 69](#).

Currently, we are developing metrics to measure our performance in key sustainability areas. These metrics will focus on addressing identified material matters and align with international industry standards such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and International Sustainability Standards Board (ISSB). We aim to finalise these metrics, establishing a baseline year in 2025.

Links and references

- 1) BPMB's [AIR2023](#), Pg.67- 74, Managing Climate Risks
- 2) BPMB's [Sustainable Development Sukuk \(SDS\) Report 2023](#), Pg. 5, Our Sustainability Approach

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the [Annex](#) of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

Impact area	Indicator code	Response
Climate change mitigation	...	
	...	
	...	

Impact area	Indicator code	Response
Financial health & inclusion	...	
	...	
	...	

In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

Response: Please refer to BPMB's response as stated in answer 2.2 (a).	Links and references n/a
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c) SMART targets (incl. key performance indicators (KPIs)⁹): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

Response: Please refer to BPMB's response as stated in answer 2.2 (a).	Links and references n/a
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d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

⁷ Operational targets (relating to for example water consumption in office buildings, gender equality on the bank's management board or business-trip related greenhouse gas emissions) are not in scope of the PRB.

⁸ Your bank should consider the main challenges and priorities in terms of sustainable development in your main country/ies of operation for the purpose of setting targets. These can be found in National Development Plans and strategies, international goals such as the SDGs or the Paris Climate Agreement, and regional frameworks. Aligning means there should be a clear link between the bank's targets and these frameworks and priorities, therefore showing how the target supports and drives contributions to the national and global goals.

⁹ Key Performance Indicators are chosen indicators by the bank for the purpose of monitoring progress towards targets.

Response: Please refer to BPMB's response as stated in answer 2.2 (a).			Links and references n/a
Self-assessment summary Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...			
	... first area of most significant impact: ... <i>(please name it)</i>	... second area of most significant impact: ... <i>(please name it)</i>	<i>(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)</i>
Alignment	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No
Baseline	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No
SMART targets	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No
Action plan	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No	☐ Yes ☒ In progress ☐ No

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response:

We have initiated the measurement and reporting of our Scope 1 and 2 greenhouse gas emissions, starting from FY2023. As we do not operate branches, our emissions arose from our operations at Menara Bank Pembangunan. We will continue to track and report on the comparative in future reporting.

GHG emissions	FY2023
Scope 1*	47.49 tCO ₂ e
Scope 2**	2,669 tCO ₂ e

* Direct emissions, namely petrol and diesel consumption from company-owned vehicles

** Indirect emissions from purchased electricity

Links and references:

BPMB's [AIR2023](#), Pg. 71, Managing Climate Risks - Own Operations

Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers¹⁰ in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☐ Yes ☒ In progress ☐ No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities¹¹). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

Response:

BPMB incorporated impact and climate assessments (via MIND & CCRA/CCPT) into the Group's financing processes to effectively identify, manage and monitor broader ESG risks and opportunities, including climate change considerations. This demonstrates our commitment to fostering sustainable practices. The illustration below shows how BPMB plans to engage with clients in order to support the transition to a low-carbon economy:

Links and references:

BPMB's [AIR2023](#); Pg. 72

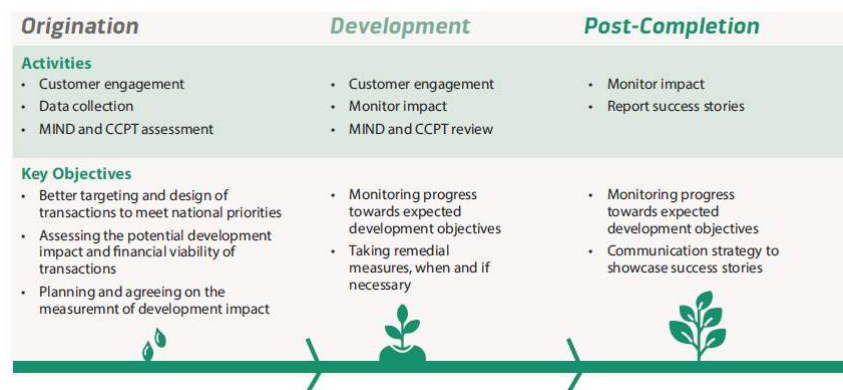
¹⁰ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

¹¹ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

SUPPORTING THE TRANSITION TO A LOW-CARBON ECONOMY

Incorporating MIND in the End-to-End Transaction Process

We incorporated impact and climate assessments (via MIND and CCRA/CCPT) in our financing process to enable us to identify, manage and monitor broader ESG risks and opportunities, including climate change considerations.



As a DFI, BPMB takes a nurturing approach to supporting its customers and the industry to transition to a low-carbon economy. BPMB leverages its MIND framework to engage and promote greater project impacts with its customers and industry players, considering the climate risks and opportunities to their businesses. BPMB intends to take this further through MIND Impact Labs, which aims to build capacity within the industry players and identify viable solutions to support their sustainability transition.

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

Response:

BPMB has integrated climate risk and impact indicators into our Risk Appetite Statement and Threshold Limit metrics. The risk appetite serves as a foundation for the Bank's risk culture and sets out the principles and policies to guide business activities and decision-making processes towards achieving an optimal balance between risk and return.

In line with Budget 2024, BPMB leads the DFIs in providing strategic financing amounting to RM7.3 billion through subsidised loans or equity financing. This funding will empower high-impact projects under eight strategic schemes, aligned with the Malaysia MADANI framework and the 12 MP. Our schemes include:

- 1) [MADANI Development Scheme](#): Financing companies that promote the MADANI Economy framework focusing on economic restructuring, security, wellbeing, inclusivity and sustainability

Links and references:

- 1) BPMB's [AIR2023](#):
 - Pg. 46, Our Operating Environment and Outlook - Sustainability
 - Pg. 48, Our Value Creating Business Model
- 2) BPMB website, [Scheme](#)

- 2) [Sustainable Development Financing Scheme](#): Funding low carbon initiatives, efficient natural resources use, renewable energy and activities in line with the 17 SDGs
- 3) [Maritime, Logistics and Transportation Scheme](#): Financing companies in the maritime, aerospace and logistics sectors for vessel acquisition, infrastructure development and working capital.
- 4) [Tourism Infrastructure Scheme](#): Boosting tourism-related businesses to enhance local economies, infrastructure and cultural heritage
- 5) [Industry Digitalisation Transformation Scheme](#): Assisting SMEs in adopting IR 4.0 technologies, thereby promoting efficiency. Supporting SDG 9 (Industry, Innovation, and Infrastructure).

In addition, we actively partner with stakeholders, including government agencies and NGOs, to co-finance sustainability projects. Our recent collaboration with the Sabah Development Bank to co-finance RM11 billion in targeted sustainability projects underscores our commitment efforts in sustainable development.

Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups¹²) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Response:

BPMB has established a comprehensive and systematic process for identifying and engaging with key stakeholders relevant to our impact analysis and target setting. This structured approach is designed to ensure that our operations align with stakeholder expectations and enhance our overall impact.

We have identified a diverse range of stakeholders who significantly influence or are impacted by our operation activities, either directly or indirectly. These groups include:

- 1) Regulator
- 2) Related key ministries
- 3) Government agencies
- 4) Strategic partners
- 5) Associations/Membership
- 6) Customers
- 7) Employees
- 8) Board members
- 9) Communities

This identification process involves mapping out the stakeholders to understand their influence and interest concerning our banking

Links and references:

BPMB's [AIR2023](#), Pg. 58 – 63, Stakeholder Engagement

¹² Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

activities through our annual stakeholder materiality assessment exercise.

In these engagements with the range of stakeholders, BPMB's main objective is to promote its mandate to deliver impact capital for national development. In line with the MADANI framework, this means the advocacy also includes BPMB's focus on addressing climate financing in a just transition manner through a development financial institution lens.

Regular engagement with these stakeholders fosters an ongoing dialogue that informs our strategies and reinforces our commitment to responsible banking practices. We implement various engagement activities designed to foster two-way communication. Through meetings, surveys and community outreach, we address pertinent issues such as financial literacy among underserved communities - ensuring we remain accountable to those we serve and contribute positively to society.

The insights gained from stakeholder interactions have been instrumental in shaping our action-planning process and we have been able to:

- 1) **Enhance our understanding of material issues:** Stakeholders have provided valuable insights on ESG matters that are relevant to our business.
- 2) **Strengthen our risk management framework:** We incorporated stakeholder feedback into our risk management processes, leading to improved ESG risk identification and mitigation.
- 3) **Develop more effective sustainability strategies:** Stakeholder input helped us develop a more ambitious and impactful sustainability framework and strategy roadmap.
- 4) **Build strong relationships with key stakeholders:** By fostering transparent communication, we build meaningful partnerships that are mutually beneficial, focused on shared goals.

More detailed information on the list of stakeholders, engagement platforms, key areas covered during engagements and our actions are disclosed in our AIR2023 on pages 58 – 63.

Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

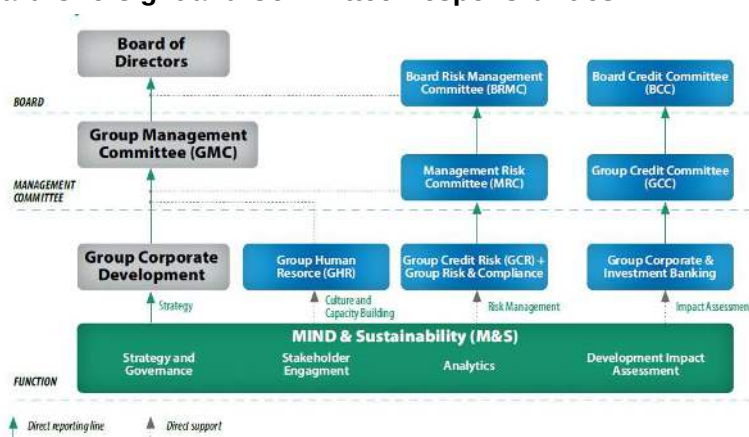
☒ Yes ☐ In progress ☐ No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Response:

1) Board Oversight and Committee Responsibilities



BPMB's sustainability strategy and its implementation are overseen by the Board of Directors, chaired by an Independent Non-Executive Director. They are responsible for BPMB's long-term sustainable growth and are supported by the Board Risk Management Committee and the Group Management Committee (GMC). The Board's key responsibilities cover the following:

- Approves and oversees the overall sustainability and climate change strategies and direction.
- Approve the establishment of the Framework/Policy and oversight of the overall implementation of sustainability within the Bank.

Links and references:

- 1) BPMB's [AIR2023](#),
- Pg. 68 - 69 Sustainability Governance Structure
- Pg. 87 – 88, Board Nomination and Remuneration Committee
- 2) BPMB's [Board Charter](#), Pg.9, Clause 3.2.5 Remuneration Matters

- Approving the outcome of the materiality assessment undertaken.
- Oversee the performance or effectiveness of management of material matters including progress towards targets set.
- Approve sustainability reporting and disclosures (where applicable).

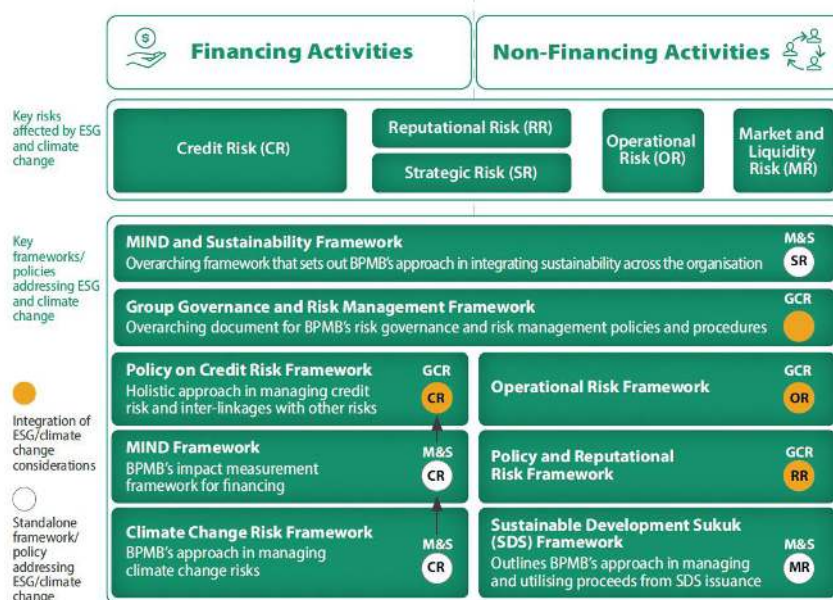
The GMC assists the Boards in fulfilling its oversight responsibility in relation to BPMB's objectives, policies and practices pertaining to sustainability matters, ensuring compliance with regulatory requirements and international standards.

Frequency of updates to the management:

- Monthly – MIND (GMC & Board)
- Quarterly – Sustainability performance (GMC & Board).

2) Framework/Policy:

BPMB's M&S Framework is the overarching framework that outlines the Bank's approach to integrating sustainability practices in all our activities, including the management of sustainability and climate-related risks and opportunities. The diagram below illustrates the relationship and interconnectivity between the M&S Framework and other existing frameworks or policies:



3) Remuneration practices link to ESG targets

Our overall portfolio MIND score or DIS is part of our corporate scorecard which contributes to the management and whole-of-company remuneration.

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response:

To foster a culture of responsible banking among our employees, we have implemented initiatives and measures that prioritise sustainability, climate awareness and ethical business practices. Our approach centres around the following key areas:

- 1) **Sustainability training and capacity building:** In 2023, we conducted 19 training sessions targeting all staff levels, including senior management, focusing on climate change risk and sustainability frameworks. We shall conduct annual refresher programs and targeted workshops to ensure employees remain informed on ESG's current trends and practices.
- 2) **MIND model integration:** Our end-to-end transaction processes incorporate the MIND model, which allows us to assess and manage broader ESG risks, including climate impacts. By embedding sustainability into our financial decision-making, we empower our employees to approach their work with a mindset that prioritises responsible outcomes.
- 3) **Professional development incentives:** We actively encourage employees to pursue sustainability/climate-related certifications, promoting individual growth and enhancing our team's capabilities in responsible banking.
- 4) **Stakeholder engagement:** We facilitate collaboration with key stakeholders—governments, international organisations and civil society—to broaden our employees' understanding of responsible banking's role in national development. Our involvement in initiatives like the Joint Committee on Climate Change and the UN Global Compact further expands this perspective.
- 5) **Incentivising sustainable development:** Our financial resources support dedicated schemes like the Sustainable Development Financing Scheme and the National Development Scheme, offering subsidies that promote projects in renewable energy and green technologies. This aligns financial incentives with sustainable development goals.

Links and references:

BPMB's [AIR2023](#), Pg. 72 – 74, Supporting the Transition to a Low-Carbon Economy

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?¹³ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response:

BPMB have in place a set of policies and due diligence mechanisms to ensure environmental and social risks are effectively managed:

- 1) **Climate risk management:** We have integrated climate considerations into our Group Governance and Risk Management Framework, which shapes our overall approach to risk management. In 2021, we established the Climate Change Risk Framework to guide the identification, assessment, and measurement of climate risks. This is further supported by our CCRA tool, which evaluates risks at the counter-party transaction level. In 2023, we enhanced the CCRA into our impact assessment tool – MIND 2.0, aligning it with BNM's taxonomy for a more holistic view of our financing impacts.
- 2) **Exclusionary criteria:** We are committed to ethical and responsible financing practices. We will not finance or engage in activities that violate legal statutes, including:
 - Illegal activities
 - Bribery and money laundering
 - Terrorism
 - Smuggling
 - Violation of labour and human rights
 - Deforestation
 - Weapons and ammunitions
 - Ethically or morally controversial projects
 - Coal mining and power generation from coal
 - Impact on heritage sites
- 3) **Other policies in place are as follows:**
 - [Corporate Integrity Pledge](#)
 - [Whistleblower Policy & Procedure](#)
 - [Anti-Bribery and Corruption Policy Statement](#)
 - [Organisational Anti-Corruption Plan \(OACP\) 2022 - 2026](#)
 - [Treat Customers Fairly Charter](#)
 - [Privacy Notice](#)
 - [Vendor Code of Conduct](#)

Links and references:

- 1) BPMB's [AIR2023](#),
 - Pg. 95 – 96, Statement of Internal Control
 - Pg. 97 – 107, Risk Management
 - Pg. 67 – 74, Our Commitment to Climate Action
- 2) BPMB's [Sustainable Development Sukuk Framework](#), Pg. 11, Exclusionary Criteria

¹³ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistle-blower policies etc., or any applicable national guidelines related to social risks.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☒ Yes ☐ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☐ Partially ☒ No

If applicable, please include the link or description of the assurance statement.

Response:

We plan to conduct external assurance on our sustainability-related data in the near future, aligning with the [Malaysia National Sustainability Reporting Framework](#) and requirements with the Bank Negara Malaysia.

Links and references:

n/a

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- ☐ GRI
☐ SASB
☐ CDP
☐ IFRS Sustainability Disclosure Standards (to be published)
☒ TCFD
☐ Other:

Response:

To demonstrate our commitment to transparency and accountability in addressing climate-related risks and opportunities, we have prepared the "Our Commitment to Climate Action" section of our [AIR2023](#) with reference to the TCFD recommendations.

Links and references:

BPMB's [AIR2023](#), Pg. 67, Our Commitment to Climate Action, Climate-Related Disclosures

6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis¹⁴, target setting¹⁵ and governance structure for implementing the PRB)? Please describe briefly.

Response:

BPMB will embark on a journey to mitigate climate risks and explore opportunities by leveraging the five key MIND enablers, which will promote transitioning among our clients and encourage responsible business practices:

- 1) **MIND Digital:** Digital platform for impact assessment on financing transactions
- 2) **MIND Intelligence:** AI-driven impact assessment tool to identify ESG risks and opportunities that will enable us to provide advice to customers in improving impact
- 3) **MIND Impact Lab:** Engagement platform for existing and prospective customers to spur collaboration and build capacity on sustainability and impact initiatives
- 4) **MIND Advocacy (MINDa):** Thought leadership series to demonstrate and share our industry knowledge
- 5) **MIND Learning:** Online learning platform for BPMB employees to increase awareness and build capabilities on sustainability and climate topics

As sustainability and climate change topics are dynamic, complex and evolving rapidly, we continuously enhance our approach to better manage sustainability and climate risks and opportunities. We are committed to rigorously tracking and monitoring our newly established metrics and targets.

Links and references:

BPMB's [AIR2023](#),
Pg.74, Moving Forward
Initiatives

¹⁴ For example outlining plans for increasing the scope by including areas that have not yet been covered, or planned steps in terms of portfolio composition, context and performance measurement

¹⁵ For example outlining plans for baseline measurement, developing targets for (more) impact areas, setting interim targets, developing action plans etc.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|---|
| ☐ Embedding PRB oversight into governance | ☐ Customer engagement |
| ☐ Gaining or maintaining momentum in the bank | ☐ Stakeholder engagement |
| ☐ Getting started: where to start and what to focus on in the beginning | ☒ Data availability |
| | ☒ Data quality |
| ☐ Conducting an impact analysis | ☐ Access to resources |
| ☒ Assessing negative environmental and social impacts | ☒ Reporting |
| ☒ Choosing the right performance measurement methodology/ies | ☒ Assurance |
| | ☒ Prioritizing actions internally |
| ☐ Setting targets | |
| ☐ Other: ... | |

If desired, you can elaborate on challenges and how you are tackling these: