



CLIMATE-RELATED DISCLOSURES 2025





1.0 INTRODUCTION

This climate-related disclosure report encompasses the primary business activities of the Group covering KAF IB, KAF DB, KIF and KSI. The Group is a well-diversified Malaysian financial services group covering the areas of investment banking, capital markets, fund management and stockbroking services where it is helmed by KAF IB, the apex entity of the Group which has been established for more than 50 years since 1975.

It has been prepared to be in-line with the requirements of the Climate Risk Management and Scenario Analysis (CRMSA) and the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The focus of this climate-related disclosure report is on areas in which the Group views to be materially important to address its climate-related risks and opportunities, and its disclosures have been approved by the Board of KAF IB.

Recognising the need for the financial industry to collectively address the impact of climate change, the Board had further approved for the Group to strive to achieve **Carbon Neutral for Scope 1 and 2 by FYE June 2031**, as well as the longer term commitment to achieve **Net Zero for Scope 1, 2 and 3 by FYE June 2051**, consistent with Malaysia's aspiration to achieve Net Zero as early as 2050 (4th Biennial Update Report under the United Nations Framework Convention on Climate Change, December 2022).

With the issuance of the National Sustainability Reporting Framework (NSRF) in September 2024, setting the baseline standard for climate-related disclosure requirements in Malaysia to be fully aligned with IFRS S2, the Group will adhere to the staggered phase-in of the climate-related disclosure requirements of the NSRF commencing from FYE June 2028 (for the Group's financial year period beginning 1 July 2027), external assurances requirement for FYE June 2030 (for the Group's financial year period beginning 1 July 2029), to full implementation in FYE June 2031 (for the Group's financial year period beginning 1 July 2030).

Pending the adoption of NSRF, the Group's climate-related disclosure shall continue to be reported based on the TCFD recommendations up to FYE June 2027 as required under the CRMSA.

This climate-related disclosure report has not been subject to external assurances but has been prepared by the Group with reasonable care on its accuracy and to its best knowledge, where the contents have been reviewed by Group Compliance, and the emissions and financial data have been further reviewed by Group Internal Audit.



TCFD CONTENT INDEX

TCFD RECOMMENDATIONS		SECTIONS
Governance		
G1	Board Oversight of Climate-related Matters	2.1
G2	Governance Structure Including Climate-Related Matters at the Management Level	2.1
G3	Climate-related Board Credentials	2.2
G4	Climate-Related Training	2.2
G5	Climate-related Discussions in Board Meetings	2.1
G6	Climate-linked Remuneration	2.2
Strategy		
S1	Identification of Climate-related Risks and Opportunities	3.1
S2	Impact of Climate-related Risks and Opportunities	3.1
S3	Strategy and Risk Appetite on Climate Change Related Risks	3.2
Risk Management		
R1	Process for Identifying and Assessing Climate-related Risks	4.1
R2	Process for Managing Climate-related Risks	4.2
R3	Process for Integrating (i) Process for Identifying and Assessing Climate-related Risks and (ii) Process for Managing Climate-related Risks; into Overall Risk Management	4.3
Metrics & Targets		
M1	Key Climate-related Metrics <ul style="list-style-type: none">GHG EmissionsClimate-related Transition RisksClimate-related Physical RisksClimate-related Opportunities & Capital Deployment/Client EngagementLinked-Remuneration	5.1 5.2 5.3 5.4 2.2
M2	Key Climate-related Targets	2.1, 5.1 - 5.4



GLOSSARY

TERM	DEFINITIONS
AUM	Assets under Management.
BNM	Bank Negara Malaysia.
Carbon Neutral	Means the Greenhouse Gas (GHG) emissions released into the atmosphere are counterbalanced by the removal or offsetting of the GHG emissions from the atmosphere.
CCPT	The document <i>Climate Change and Principle-based Taxonomy</i> issued by Bank Negara Malaysia in April 2021.
Climate-related risks and opportunities	Climate-related risks refers to the potential negative effects of climate change on an entity. These risks are categorised as climate-related physical risks and climate-related transition risks. Climate-related opportunities refers to the potential positive effects arising from climate change for an entity. Efforts to mitigate and adapt to climate change can produce climate related opportunities for an entity (IFRS S2, June 2023).
Climate-related physical risks	Risks resulting from climate change can be event-driven (acute physical risk) or from longer-term shifts in climatic patterns (chronic physical risk). Acute physical risks arise from weather-related events such as storms, floods, drought, or heatwaves, which are increasing in severity and frequency. Chronic physical risks arise from longer-term shifts in climatic patterns, including changes in precipitation and temperature, which could lead to sea level rise, reduced water availability, biodiversity loss, and changes in soil productivity. These risks could carry financial implications for an entity, such as costs resulting from direct damage to assets or indirect effects of supply-chain disruption. The entity's financial performance could also be affected by changes in water availability, sourcing, and quality; and extreme temperature changes affecting the entity's premises, operations, supply chains, transportation needs, and employee health and safety (IFRS S2, June 2023).
Climate-related transition risks	Risks that arise from efforts to transition to a lower-carbon economy. Transition risks include policy, legal, technological, market, and reputational risks. These risks could carry financial implications for an entity, such as increased operating costs or asset impairment due to new or amended climate-related regulations. The entity's financial performance could also be affected by shifting consumer demands and the development and deployment of new technology (IFRS S2, June 2023).
CRMSA	The policy document <i>Climate Risk Management and Scenario Analysis</i> issued by Bank Negara Malaysia in March 2025.
ENCORE	ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) (www.encorenature.org) is a free, online tool that helps organisations explore their exposure to nature-related risk and take the first steps to understand their dependencies and impacts on nature. ENCORE sets out how the economy - sectors, subsectors and activities - depends and impacts on nature. The ENCORE tool is maintained and continuously improved by Global Canopy, UNEP FI and UNEP-WCMC, who together form the ENCORE Partnership.
FYE	Financial year ending.



CLIMATE-RELATED DISCLOSURES 2025

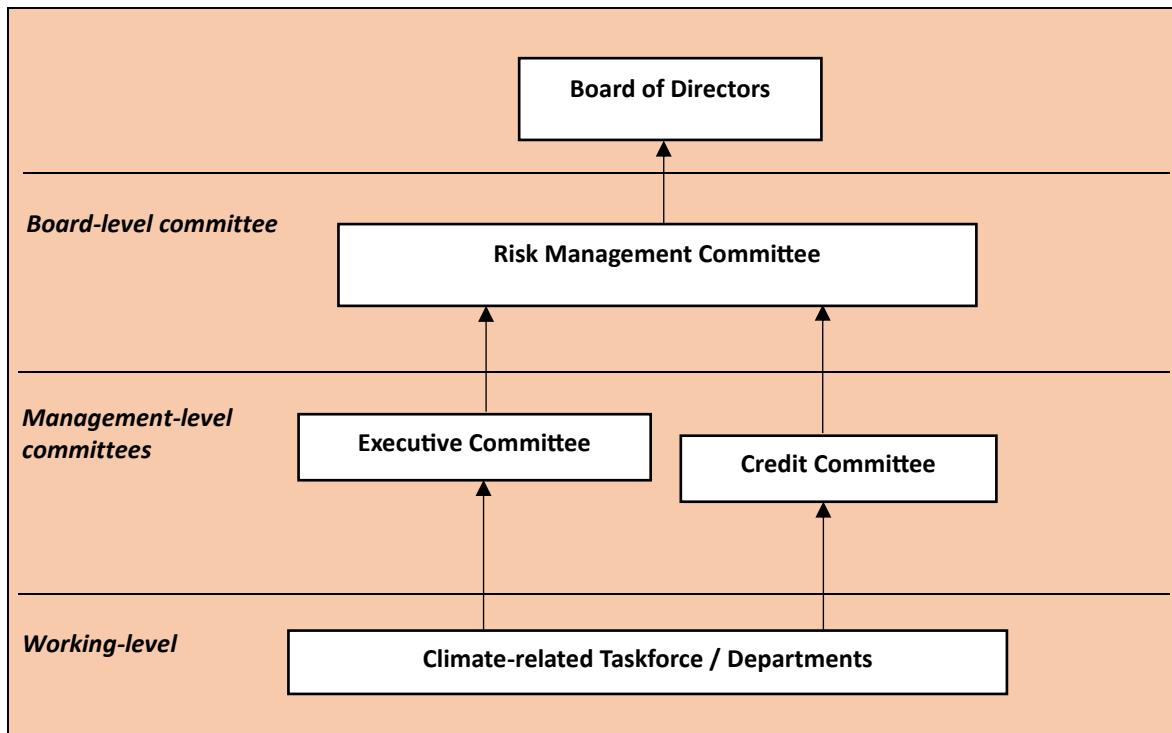
GHG	Greenhouse Gas.
IFRS S2	Means the International Financial Reporting Standard Climate-related Disclosures document issued by the ISSB in June 2023.
ISSB	International Sustainability Standards Board.
KAF IB	KAF Investment Bank Berhad.
KAF DB	KAF Digital Bank Berhad.
KIF	KAF Investment Funds Berhad.
KSI	PT KAF Sekuritas Indonesia.
NSRF	The document <i>National Sustainability Reporting Framework</i> issued by the Advisory Committee of Sustainability Reporting, an inter-agency committee endorsed by the Ministry of Finance in September 2024.
Net Zero	Means the GHG emissions released into the atmosphere are counterbalanced by the equal removal of GHG emissions from the atmosphere. According to the World Resource Institute, achieving Net Zero will require a two-part approach: First and foremost, human-caused emissions (such as those from fossil-fuelled vehicles and factories) should be reduced as close to zero as possible. Any remaining emissions should then be balanced with an equivalent amount of carbon removal, which can happen through natural approaches like restoring forests or through technologies.
NETR	The document <i>National Energy Transition Roadmap</i> issued by the Ministry of Economy in August 2023.
Scope 1 GHG emissions	Means the direct GHG emissions occurring from sources that are owned or controlled by the company, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.; emissions from chemical production in owned or controlled process equipment (as per the document <i>A Corporate Accounting and Reporting Standard</i> issued by the GHG Protocol, 2004).
Scope 2 GHG emissions	Means the indirect GHG emissions from the generation of purchased electricity consumed by the company. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organizational boundary of the company (as per the document <i>A Corporate Accounting and Reporting Standard</i> issued by the GHG Protocol, 2004).
Scope 3 GHG emissions	Means all other indirect GHG emissions that occur in a company's value chain and of which the value chain emissions are classified under 15 categories (as per the document <i>Corporate Value Chain (Scope 3) Accounting and Reporting Standard</i> issued by the GHG Protocol, 2011).
SC	Securities Commission.
TCFD	The document <i>Task Force on Climate-related Financial Disclosures Application Guide for Malaysia Financial Institutions</i> issued by the Joint Committee on Climate Change in June 2022.
tCO₂e	Means the number of tonnes of carbon dioxide equivalent of another greenhouse gas.

2.0 GOVERNANCE**2.1 Climate-related Governance Structure**

The Group is a well-diversified Malaysian financial services group. It is helmed by KAF IB as the apex entity whose activities are in investment banking and capital markets, activities of which are subject to regulations by the BNM and the SC.

Through its subsidiaries, the activities of the Group are in the provision of fund management (KIF) and stockbroking services (KSI), both of which are similarly regulated activities under the auspices of the SC and the Indonesia Financial Services Authority respectively. With the licensing approval by BNM, the Group has recently launched to the Malaysian public its Islamic digital banking services (<https://kafdigitalbank.com.my>) spearheaded by its subsidiary KAF DB.

To address the climate-related risks and opportunities, the Group has the following climate-related governance structure in place. As the apex entity, depicted below is KAF IB's climate-related governance structure where the Board has the overall responsibility at the top which responsibility is further mapped to the various board-level committees, management committees and working level groups. KAF IB's Board is entrusted with steering the Group towards a sustainable future and exercise an ultimate oversight of the Group's climate-related governance structure, and the board of respective subsidiaries exercise similar oversight on their respective businesses.

Climate-related governance structure of KAF IB:

Summary terms of reference of climate-related governance structure of KAF IB:

Responsibility Mapping	Terms of Reference
Board of Directors (Board)	<ul style="list-style-type: none"> Provide overall oversight on the implementation of climate-related risks & opportunities management strategy. Approve the Group's short, medium and longer-term climate-related targets encompassing the Group's GHG emissions, climate-related risks and opportunities.
Board Risk Management Committee (RMC)	<ul style="list-style-type: none"> Support the Board in the overall oversight of climate-related risks & opportunities management strategy. Support the Board in considering the Group's short, medium and longer-term climate-related targets.
Executive Committee (EXCO)	<ul style="list-style-type: none"> Support and recommends to the RMC in evaluating the impact of climate-related risks (covering climate-related transition and physical risks) and opportunities on KAF IB's operations specifically and the Group's operations in general and to address and mitigate such impacts as to within its approving authority. Executes the strategy for managing climate-related risks and opportunities.
Credit Committee (CC)	Support and recommends to the RMC in evaluating the impact of climate-related risks (covering climate-related transition and physical risks) and opportunities on KAF IB's financial assets and to address and mitigate such impacts as to within its approving authority.
Climate-related Taskforce / Departments	<ul style="list-style-type: none"> A climate-related taskforce is emplaced to coordinate disclosure work in line with the requirements of the TCFD recommendations. Climate-related risks considerations have been embedded in various departments' policies and procedures to maintain controls and address or recommend appropriate mitigating measures to the EXCO and CC. The taskforce works closely and in alignment with control functions (Group Compliance, Risk Management and Group Internal Audit) as part of the overall consultation, review and advisory on climate-related controls and disclosure. The taskforce also serves as an avenue for operational-level deliberation of enterprise-wide climate risk management, risk appetite, risk profile, regulatory developments, and integration of climate risk management into the Group's business objectives.

Frequency of meetings where climate-related matters were discussed by KAF IB:

Governing Body	Meetings in FYE June 2025	Where climate-related matters were discussed
Board	6	5
RMC	6	5
EXCO	12	8
CC	20	8

The governing bodies have actively addressed climate-related matters in its meetings demonstrating continuous commitment and significant attention to these matters. This is indicated by the frequency of meetings where climate-related matters were discussed, accounting for an aggregate of more than half of the Board, RMC, EXCO and the CC meetings.

Notable milestones achieved for the financial reporting period FYE June 2025 include:

- The Board has in September 2025 approved the following group-wide short, medium and long-term key climate-related targets:

Timeframe	Key Climate-related Targets
Short-Term (2026 - 2030)	Carbon Neutral for Scope 1 and 2 by FYE June 2031.
Medium-Term (2031 - 2040)	<ul style="list-style-type: none"> • The Group intends to reduce 50% of its credit exposure from FYE June 2025 baseline that is vulnerable to climate-related transition risk by FYE June 2041. • The Group will maintain asset value with low vulnerability to acute and chronic climate-related physical risk at above 70% by FYE June 2051. At the same time, assets with medium to high risk will be reduced by 50% by FYE June 2041. • The Group aims for 25% of the credit exposure are economic activities that support transition to low carbon economy by FYE June 2041 and will engage clients with similar objectives of low carbon economy.
Long-Term (2050)	Net Zero for Scope 1, 2 and 3 by FYE June 2051.

- The Board in May 2025 approved a revision to the Board Charter and RMC Terms of Reference to explicitly include the responsibility for the group-wide assessment of material climate-related risks and opportunities.
- The EXCO in February 2025 completed its first annual assessment on the vulnerability of KAF IB and the Group's operations to climate-related physical risks.
- The EXCO in August 2024 approved the commencement of the annual Group-wide employee training on ESG (Environmental, Social, and Governance) including on climate-related topics.
- The CC in August 2024 completed its third annual assessment on the vulnerability of KAF IB's financial assets to climate-related transition risks.



CLIMATE-RELATED DISCLOSURES 2025

2.2 Climate-Related Credentials, Training & Climate-Linked-Remuneration

While the Group recognise climate-related risks would pose potentially short, medium, and longer-term challenges, the Group is also optimistic that with the continued stewardship and credentials of the Board below, the Group would be in a position to not only meet these challenges but also to capitalise on the opportunities that arise:

Board of KAF IB	Credentials
Dato' Saiful Bahri Bin Zainuddin (Chairman)	<ul style="list-style-type: none">• Dato' Saiful Bahri Bin Zainuddin, was appointed as Chairman on 29 May 2025. He is an Independent Non-Executive Director and was appointed to the Board on 1 June 2017.• He holds a Degree of Bachelor of Science in Economics and Finance from Western Michigan University, USA in 1985 and has attended the Global Leadership Development Programme at Stanford University, United States of America.• He has extensive skills and experience of more than 14 years in the Malaysian stockbroking industry. He previously held various senior positions in established banking groups, including Executive Director of Affin Holdings Berhad and Affin Hwang Investment Bank Berhad. He was the Financial Adviser to the State Government of Negeri Sembilan, a member of the Negeri Sembilan State Government Think Tank, an Audit Committee Member for Universiti Sains Islam Malaysia and currently the Executive Director of OSK Holdings Berhad.• In addition, he is the Chairman of PT KAF Sekuritas Indonesia. He also sits on the Investment Committee Board of Eastspring Investments Berhad. He was also appointed to the Board of Eastspring Investments Berhad on 20 June 2022.
Datuk Khatijah Binti Ahmad	<ul style="list-style-type: none">• Datuk Khatijah Binti Ahmad, a Non-Independent Non-Executive Director, was appointed to the Board on 12 October 1974. She is the founder of KAF Group, a well-diversified Malaysian financial services group with interests in money market activities, investment banking, stock broking, Islamic banking, research, investment fund management, fund advisory and trustee services.• She holds a Degree in Economics from the London School of Economics & Political Science of the University of London, United Kingdom.• Datuk Khatijah also served as director of several public listed companies including the Malaysian conglomerate Sime Darby Berhad. In 1979, she was appointed a member on the International Commission. She was also a member of the Economic Advisory Council (1981-2003) to Tun Dr Mahathir Mohamad, former Prime Minister of Malaysia.
Mr Khoo Guan Huat	<ul style="list-style-type: none">• Mr Khoo Guan Huat, an Independent Non-Executive Director, was appointed to the Board on 1 June 2018.• He graduated with an LLB (Hons) from the University of Malaya and commenced his legal career with the Attorney-General's Chambers in 1987 and was a pioneer member of the Arbitration Unit of the Chambers when the unit was set up in 1990. He joined Skrine and became a partner of Skrine from 1993 until January

	<p>2025. Skrine is one of the largest law firms in Malaysia, providing a comprehensive range of legal services to a large cross-section of the business community in Malaysia as well as abroad. His works are focused on intellectual property and commercial disputes. He currently practices from Khoo Chambers, Kuala Lumpur, Malaysia.</p> <ul style="list-style-type: none">• In addition, he has advised financial institutions and multinational corporations on regulatory and compliance issues. At various times, he was a member of the Compensation, Listing and Market Participants Committees of Bursa Malaysia Berhad. He has also appeared as an expert witness on Malaysian law in various proceedings, including arbitration proceedings in the United States of America and Singapore.
Puan Nor Rejina Binti Abdul Rahim	<ul style="list-style-type: none">• Puan Nor Regina Binti Abdul Rahim, an Independent Non-Executive Director, was appointed to the Board on 1 March 2023.• She graduated with an LLB (Hons) from the University of Kent at Canterbury, United Kingdom in 1996 and is a member of Lincoln's Inns in Law. She was called to the Bar of England and Wales in 1997. She has twenty-five years of experience in the Malaysian capital market.• Her career was cultivated on pioneering new roles and businesses, from a first-ever legal officer of Pengkalan Securities Sdn. Bhd. in 1996 to the first Legal and Compliance Manager for Commerce Trust and Commerce Asset Fund Managers in 1998, to founding staff of Nomura Asset Management in Malaysia in 2006 where she grew it to one of the Top 10 biggest award-winning fund management companies in Malaysia. She was also Nomura Asset Management's first woman and non-Japanese national to head one of their overseas businesses. Currently, she is the Managing Founder of a Femtech start-up called Wahine Capital Sdn. Bhd and sits on various boards and advisory councils.
Encik Mohd Hazran bin Abd Hadi	<ul style="list-style-type: none">• Encik Mohd Hazran Bin Abd Hadi, an Independent Director, was appointed to the Board on 1 July 2025.• He graduated as a Chartered Management Accountant from Accountancy Tutors College in London in 1990. He is an Associate Member of the Chartered Institute of Management Accountants, a Chartered Member of The Chartered Institute of Islamic Finance Professionals (CIIF), a Chartered Member of The Chartered Institute of Management Accountants (CIMA) and a Chartered Member of Malaysia Institute of Accountants (MIA).• He has over 32 years of experience in the banking industry, covering foreign commercial, local, and Islamic financial institutions. He has an extensive banking background that covers the areas of finance, treasury, strategy, risk management, operations, and previously held positions include Head of Financial Control (CFO) at Bank Simpanan Nasional, Chief Financial Officer and Head of Corporate Strategy at RHB Islamic Bank Berhad. He was a former Chief Executive Officer of Kuwait Finance House (Malaysia) Berhad from February 2020 until June 2024.



CLIMATE-RELATED DISCLOSURES 2025

Climate-related training

The Group recognises that notwithstanding the depth of the credentials and experience of the Board members as well as the senior management, that learning is a lifelong journey. With the inaugural group-wide employee ESG (including climate-related topics) training course facilitated by the Human Resource Department in August 2024, the Group has planned a more tailored training programme on climate-related risks and opportunities for the Board and senior management scheduled to commence in the second half of 2025.

This tailored training programme will draw upon the training and learning experience of KAF IB's Climate-related Taskforce (comprising the heads of various departments) attendance to various training courses, notable of which:

Course Topics	Conducted by
CRMSA Implementation	Malaysian Investment Banking Association (MIBA)
ESG Risk Management	MIBA
Integrating CCPT in Financial Institutions' Business	MIBA
Climate Change: From Learning to Action	UN Institute for Training and Research
TCFD for the Financial Sector Focus	UN Sustainable Stock Exchanges Initiative

Climate-linked remuneration

With the Group's stated intention to strive to achieve **Carbon Neutral for Scope 1 and 2 by FYE June 2031** in the short-term, the senior management's KPIs will be reviewed in the second half of 2025 with a view to embed and link remuneration to this immediate climate-related target. The key initiatives to be considered would be the various offsetting and removal options, both internally and externally as further discussed in section 5.1 in order to achieve the abovementioned climate-related target of Carbon Neutral for Scope 1 and 2 by FYE June 2031.

Looking ahead to the next few years, we will progressively review and refine our approach to linking climate-related KPIs to executive remuneration as needed, while strengthening control mechanism and integrating climate-related considerations.

3.0 STRATEGY
3.1 Identification and impact of Climate-related Risks and Opportunities

In managing the risk of transition to low carbon economy and the potential impact of climate-related risk and opportunities, the Group adopts a climate risk management strategy based on short term (1 - 3 years), medium term (4 - 10 years) and long term (above 10 years) time horizon.

This is to manage the climate-related transition and physical risk and the climate-related opportunities that may arise over the business plan horizon and those resulting from the different pathways of the climate risk over time. To address this, firstly the Group identifies as well as set boundaries in relation to the various primary business activities undertaken by the Group through KAF IB, KAF DB, KIF and KSI below:

Primary Business Entities	KAF IB	KAF DB	KIF	KSI
Identification of Climate-related transition risk on:				
• Financial assets	✓	Exempted	X	X
• Business operations	✓		X	X
Identification of Climate-related physical risk on:				
• Financial assets	✓	Exempted	X	X
• Business operations	✓		✓	✓
Identification of Climate-related opportunities	✓		✓	✓

Identification of Climate-related risks and opportunities

The Group has assessed that climate-related risks (both transition and physical) apply to KAF IB and KAF DB by the nature of the primary activity, which is the holding of financial assets in the provision of financing and undertaking investment activities where the transmission of climate-related risks may impact the Group's financial assets. On the contrary for KIF and KSI where the primary activity is as a financial intermediary and not proprietary balance sheet activities, climate-related risks would not pose a material risk unlike KAF IB and KAF DB.

The Group is also pleased to announce that KAF DB has received the approval to operate as a digital Islamic bank licensed under Islamic Financial Services Act 2013, and has since commenced its operations to onboard customers. As part of the regulatory requirements in introducing new products, KAF DB undertook the necessary assessments and mitigation strategy on all related and relevant risks associated with the onboarding.

However, in respect to KAF DB, it is exempted from the requirements under the CRMSA during the foundational period of the digital bank (period between 3 to 5 years from the operational commencement date). This relief period would allow KAF DB to focus its efforts towards the dual objective of strengthening its business model, and driving financial inclusion. Notwithstanding this, KAF DB shall gradually reinforce its risk management framework to eventually incorporate climate-related risks and will also explore opportunities to consider green/sustainable features for its retail products and services offering.

Additionally, while KAF DB is exempted from reporting on climate-related risks, the Group nonetheless specifically address the impact of climate-related physical risks on the Group's overall business operations including that on KAF DB's business operations.

Impact of Climate-related risks and opportunities

The awareness of climate-related risks and opportunities and its impact on future business performance is expected to increase for financial groups and its customers.

This is consistent with the Paris Agreement to keep global warming to less than 2 degrees Celsius and pursue efforts to limit the increase to 1.5 degrees Celsius above pre-industrial levels.

As such climate-related risks and opportunities over the short, medium and long-term horizon is considered under the business plan by mapping it to different stages of the business process including strategy formulation, risk identification and monitoring.

Credit decisions currently include consideration of customer's vulnerability to climate-related transition and physical risk and economic activities that supports the transition towards a low carbon economy using the CCPT. These business decisions are reviewed at least annually to keep pace with the updates and availability of information on climate change. Therefore, the Group considers the following climate-related transition and physical risk to have an impact on the Group's primary business activities within the applicable time horizons:

Primary Business Entities	Impact Description	Time Horizon	Impact to:		
			KAF IB	KIF	KSI
Impact of Climate-related transition risk on:					
• Financial assets	Lesser avenue for companies in carbon-intensive sectors to obtain funding as financiers shy away, potentially impacting the Group's financial assets as Issuers access to funding could be affected.	Short/ Medium term	✓	X	X
• Business operations	Regulatory compliance to more stringent reporting requirement where additional resources would be required for compliance.	Short/ Medium term	✓	✓	✓
Impact of Climate-related physical risk on:					
• Financial assets	Exposure to clients affected by climate change thus risking disruption to their income and be transmitted as an increase in the credit risk in the Group's financial assets.	Short/ Medium term	✓	X	X
• Business operations	Increase intensity in hazards (i.e. floods) that could disrupt the Group's business operations.	Medium/ Long term	✓	✓	✓

Impact of Climate-related opportunities	New investment opportunity in the likes of green/sustainable bonds or development that supports climate risk mitigation/adaptation efforts.	Short/Medium term	✓	✓	✓
	Lower energy consumption at office premise leading to lower utility bill.	Short term	✓	✓	✓

3.2 **Strategy And Risk Appetite on Climate Change Related Risks**

The Group will manage climate-related risk so that it is in line with the BNM requirements. Tools and data availability are necessary to understand and manage climate-related risks and opportunities. Climate-related metrics and target are also utilised to guide the Group in formulating its climate-related strategy and risk appetite.

In this respect, the Group's Key Climate-related Targets below provides the roadmap for the Group to chart the appropriate short, medium and long-term climate-related strategy and risk appetite:

Timeframe	Key Climate-related Targets
Short-Term (2026 - 2030)	Carbon Neutral for Scope 1 and 2 by FYE June 2031.
Medium-Term (2031 - 2040)	<ul style="list-style-type: none"> The Group intends to reduce 50% of its credit exposure from FYE June 2025 baseline that is vulnerable to climate-related transition risk by FYE June 2041. The Group will maintain asset value with low vulnerability to acute and chronic climate-related physical risk at above 70% by FYE June 2051. At the same time, assets with medium to high risk will be reduced by 50% by FYE June 2041. The Group aims for 25% of the credit exposure are economic activities that support transition to low carbon economy by FYE June 2041 and will engage clients with similar objectives of low carbon economy.
Long-Term (2050)	Net Zero for Scope 1, 2 and 3 by FYE June 2051.

In the short-term, the focus will be in decarbonising the Group's business operations. The key initiatives to be considered would be the various offsetting and removal options, both internally and externally as further discussed in section 5.1 in order to achieve the abovementioned climate-related target of Carbon Neutral for Scope 1 and 2 by FYE June 2031.

As the Group achieve this in the short-term, the focus in the medium-term would be to increase the resiliency to climate-related risks (both transition and physical) and direct the Group's financial assets towards low carbon economic activities to ensure sustainability of its business activities in the future. To achieve this, business decisions would be made attune to the Key Climate-related Targets set above where an annual portfolio review of the Group's financial assets will be track and measured against. The Group recognise that while the climate-related strategy and risk appetite would need to be fine-tune as the situation and the Group's understanding of climate-related risks evolves, it is nonetheless crucial for the Group to meet its medium-term Key Climate-related Targets by FYE June 2041 as this will set the Group on the right path toward achieving its long-term aspirations of Net Zero for Scope 1, 2 and 3 by FYE June 2051.



4.0 RISK MANAGEMENT

4.1 Process for Identifying and Assessing Climate-related Risks

The Group embeds and incorporates the regulatory requirement in relation to climate-related risks into the risk management framework of KAF IB. This allows the management of climate-related risks alongside other existing risk types. The existing risk governance structure is being used which allows the Board to set the tone and cascades down the expectation to the business lines.

For KAF IB to systematically assess, manage and mitigate climate-related risk the common classification used is climate-related transition and physical risk. The climate-related transition risk refers to the impact from process of adjustment towards low-carbon economy due to policy changes. Carbon footprint created through direct and indirect emission is measured based on specific requirement under Scope 1, 2 and 3 GHG emissions.

On the other hand, the physical risk is sub-categorised into acute and chronic risk depending on the underlying nature of event. Physical risk is measured as a component of hazard type, exposure and vulnerability.

The risk identification process and classification are contained in KAF IB's internal policies which also described the way in which climate-related risks transmit to existing types of risks such as credit, market, liquidity, and operational risks. Details of this risk identification process and classification is further elaborated in the ensuing Metrics and Target section.

4.2 Process for Managing Climate-related Risks

For KAF IB, the risk management process in managing climate-related risks is embedded in the different stages of the business process. These processes include the formulation of the business strategy, identification, measurement, monitoring and control of climate-related risks.

The risk appetite for climate-related risks is established to guide the risk management process. KAF IB first identifies business activities which are considered as climate supporting, climate neutral or carbon-intensive. The assessment of climate-related risk will look at both climate-related transition and physical risk and is further described in the ensuing Metrics and Target section.

Climate-related risks are also monitored together with other existing risks types such as credit, liquidity, market and operational risks for effective monitoring and controls where the roles and responsibilities in managing climate risks were earlier described under the Governance section.

4.3 Process for Integrating (i) Process for Identifying and Assessing Climate-related Risks and (ii) Process for Managing Climate-related Risks; into Overall Risk Management

For KAF IB, climate-related risks is one of the risk types that is governed by the risk appetite as stated under KAF IB's overall risk management framework. As one of the risk types, it is also governed by the same processes of risk management for other existing risk types.

In detail, climate-related risk is assessed using the same methodology for other risk types namely the likelihood and impact approach to determine the status of climate-related risks to KAF IB. The impact based on the exposure to KAF IB will determine the materiality of climate-related risks in relation to the Group's target metrics and other existing risk types.

5.0 METRICS & TARGETS

5.1 GHG Emissions

GHG emissions from business operations

GHG Emissions Scope	FYE June 2025 (tCO ₂ e)
Scope 1	24.60
Scope 2	708.75
Scope 3, Category 6 (Business travel)	9.33
Scope 3, Category 7 (Employee commuting)	298.48
Total	1,041.16

The Group's overall operational emissions stood at 1,041.16 tCO₂e for FYE June 2025, which were primarily derived from the Group's Malaysia operations (KAF IB, KAF DB & KIF) at 966.43 tCO₂e, while Indonesia operations (KSI) constitute a smaller footprint of 74.73 tCO₂e. Note that the operational emissions for the Group's Malaysia operations are based on the reporting entity's FYE June 2025, while those of the Indonesia operations are based on the reporting entity's FYE December 2024.

Towards achieving Carbon Neutral by FYE June 2031, the Group will consider several offsetting and removal options. Externally this could be through the procurement of renewable energy certificates and carbon credits. Internally would be identifying material sources of emissions, one of which is the Group's IT server room (which approximately accounts for half of the Group's Scope 2 GHG emissions) as well as explore other solutions to reduce the said operational emissions.

GHG emissions from financial assets

The Group nonetheless recognised that as a financial institution, the main source of emissions is from the indirect emissions from its financial assets referred to as Scope 3, Category 15 (Investments) which is derived from the Group providing financing/loans and from investing activities in the equity and/or debt instruments of corporations (financial assets). Based on a preliminary fact-finding exercise undertaken by the Group, the estimated emissions from financial assets were approximately 150 times of operational Scope 1 & 2 GHG emissions and were concentrated in a few corporations whose principal business activity is in the generation of electricity from fossil fuel.

In line with the climate-related disclosure requirements of the NSRF to be fully aligned with IFRS S2, the Group will adhere to the staggered phase-in of the climate-related disclosure requirements of the NSRF commencing from FYE June 2028 (for the Group's financial year period beginning 1 July 2027), external assurances required for FYE June 2030 (for the Group's financial year period beginning 1 July 2029) to full implementation in FYE June 2031 (for the Group's financial year period beginning 1 July 2030).

Pending the adoption of NSRF, the Group's climate-related disclosure shall continue to be reported based on the TCFD recommendations up to FYE June 2027 as required under the CRMSA.

Key GHG Emissions Target:

The Group strive to achieve Carbon Neutral for Scope 1 and 2 by FYE June 2031, as well as the longer-term commitment to achieve Net Zero for Scope 1, 2 and 3 by FYE June 2051.

5.2 Climate-related Transition Risks

The Group is not immune from climate-related transition risks relating to the process of adjustment towards a low-carbon economy. These climate-related transition risks could result in adverse changes to the economic, regulatory, legal environment amongst others. The Group assess that climate-related transition risks would impact the Group on two levels. One is the operational impact to the Group's business operations. The other is the indirect impact on its financial assets where the corporations are also impacted by climate-related transition risks.

Climate-related transition risks on financial assets

As aforementioned, the Group has assessed that climate-related transition risk applies to KAF IB and KAF DB by the nature of the primary activity, which is the holding of financial assets in the provision of financing and undertaking investment activities. On the contrary for KIF and KSI where the primary activity is as a financial intermediary and not proprietary balance sheet activities, climate-related transition risks would not pose a material risk unlike KAF IB and KAF DB (*KAF DB is presently exempted from the requirements of the CRMSA. Therefore, climate-related transition risk assessment for the Group is presently confined to that of KAF IB.*)

An example of a climate-related transition risk that could adversely impact the financial assets of KAF IB is the devaluation of asset prices or the absence of a liquid market for a debt instrument held by the Group as a result of the corporation's business being in a carbon-intensive sector.

To address these climate-related transition risks on the financial assets of the Group, an annual assessment is conducted with the following assessment framework:

- Firstly, at the corporation level, the assessment tool ENCORE is used to assign an International Standard Industrial Classification Code (ISIC Code) for the corporation (derived from the principal business activity). Based on the ISIC Code of the corporation, the ENCORE tool will generate the GHG emission rating of the corporation as follows:

GHG Emissions Rating:	Very High	High	Medium	Low	Very Low	Nil
-----------------------	-----------	------	--------	-----	----------	-----

For the corporations that have a GHG emissions rating of **High** or **Very High**, the Group' internal methodology is to categorise these corporations as operating within carbon-intensive sector(s).

- Secondly on a portfolio basis, an annual assessment is undertaken to determine whether the vulnerability of these corporations under carbon intensive sector(s) to climate-related transition risks is either Medium or High (note that non carbon-intensive sector(s) vulnerability to climate-related transition risks is automatically Low unless qualified otherwise as discussed in **Box 1** below). Where a carbon-intensive sector has been determined to have a **High** vulnerability to climate-related transition risks, KAF IB may impose limits/restrictions on such carbon-intensive sector(s).

Box 1: Climate-related transition risks may also be present in non carbon-intensive sector(s)

As part of the annual portfolio assessment, KAF IB also considers that climate-related transition risks may also be present in non carbon-intensive sector(s). Case in point the entire value chain of a product from the raw material supplier, manufacturer to the end consumer will comprise of several corporations that may operate with varying degrees of carbon intensity. Generally, with higher carbon intensity operations in the upstream vis-a-vis the downstream. Where demand for the end product has been impacted by changing consumer preference towards a lower carbon footprint, this will inevitably affect the entire value chain. Hence under this scenario, even non carbon-intensive sector(s) may also be determined to have a High vulnerability to climate-related transition risks and KAF IB may also impose limits/restrictions on such non carbon-intensive sector(s).



CLIMATE-RELATED DISCLOSURES 2025

- **KAFIB's financial assets internal climate-related transition risk grading**

KAFIB Financial Assets	Transition Risks Vulnerability	FYE June 2025 (RM'000)	%
Private and Islamic debt securities	High	47,706	5.1
	Medium	98,320	10.6
	Low	768,467	82.8
Financing/Loans	Low	13,099	1.4
Total	-	927,592	100.0
<i>Exclusions*</i>	-	6,914,545	-

**Note: Financial assets under the category of (1) Cash and short-term funds (RM1.21 billion), (2) Sovereign exposures including federal and sub-sovereign (i.e. state governments) and their guaranteed special purpose financing vehicles but excludes those guaranteed but are not special-purpose financing vehicles (RM5.68 billion) and (3) Loans to staff/connected parties, certain strategic investments in unquoted securities & derivative financial assets (RM17.2 million) have not been subjected to a climate-related risks & opportunities assessment.*

For KAFIB, the total portfolio under assessment on climate-related transition risk stood at RM927.6 million of which it was identified financial assets (in the form of private and Islamic debt securities) amounting to RM47.7 million (5.1% of the portfolio) has a High vulnerability to climate-related transition risks.

These financial assets comprising two corporations fall under the carbon-intensive sector identified by the ISIC Code : Electricity, gas, steam and conditioning supply (fossil fuels energy production). In order to mitigate the climate-related transition risks, KAFIB has in place a limit and requirement to pare down exposures to no later than 2030 in respect to a sub-sector of the above carbon-intensive sector, namely electricity generation, where the fossil fuel for energy production is from coal.

Key Climate-related Transition Risks Target:

The Group intends to reduce 50% of its credit exposure from FYE June 2025 baseline that is vulnerable to transition risk by FYE June 2041.

5.3 Climate-related Physical Risks

Similarly to the climate-related transition risks, the Group is also exposed to climate-related physical risks through two means. One is the direct impact on the Group's physical assets being its physical business operations. The other is the indirect impact on its financial assets where the corporations' physical assets are also impacted by climate-related physical risks. There are 3 components to be considered when assessing climate-related physical risks:

Components	Description
Hazard	<p>A hazard is a potential destructive physical phenomenon which can be an event-driven acute physical risk or a chronic physical risk.</p> <p>Examples of acute physical risks are storms, floods, drought, heatwaves, volcanic eruptions, hurricanes, tsunami, landslides etc.</p> <p>Examples of chronic physical risks are from longer-term shifts in climatic patterns including changes in precipitation and temperature which could lead to sea level rise, reduced water availability, biodiversity loss and changes in soil productivity.</p>
Exposure	Refers to whether the business operations are exposed to the aforementioned hazard.
Vulnerability	Refers to how vulnerable the business operations will be when exposed to the said hazard. For example, a wooden house would be more vulnerable to wildfire than a reinforced concrete house.

Two third-party tools are used to ascertain the Hazard and Exposure components being:

- *ThinkHazard* (www.thinkhazard.org) is a web-based tool made available by the World Bank which provides a general view of the hazards for a given location globally up to granular level of a district. Hazard identification however is limited to acute hazards only and not chronic hazards.
- *OS-Climate' Physical Risk & Resilience (PRR)* (os-climate.org) is a web-based tool as an open-source initiative hosted by the Linux Foundation, which aims to reduce barriers to entry to practitioners where the tool leverages publicly and commercially available climate hazard data and vulnerability models to be used amongst others for risk management and investment decision-making. The tool is utilised for a more detailed analysis of the acute hazard of floods as it provides geocoding granularity up to the level of 1 kilometre.

Data generated from the above two third-party tools together with experienced judgment are used as inputs into the Group's internal physical risk vulnerability heat map in determining the vulnerability to climate-related physical risk as depicted in **Box 2** below:

Box 2: Climate-related internal physical risk vulnerability heat map

Physical Risk Vulnerability Heat Map			
High Impact (3)	4	5	6
Moderate Impact (2)	3	4	5
Low Impact (1)	2	3	4
No Impact (0)	1	2	3
Climate Hazards	Unlikely (1)	Possible (2)	Likely (3)

- A score grade of 6 is where the frequency of exposure of the business operations to the hazard (x axis) and the impact to the business operations cause by the hazard (y axis) are both high whereas a score grade of 1 is the opposite.
- The outcome of a score grade of 1 to 3 is categorised as Low Vulnerability, a score grade of 4 is categorised as Medium Vulnerability and a score grade of 5 and 6 is categorised as High Vulnerability.

Climate-related physical risks on business operations

The Group conducts an annual assessment on the climate-related physical risks impact on its physical business locations which are situated at four locations below:

Physical business location	Geo Coordinates		Primary Business Entities	Main Hazards	Physical Risks Vulnerability
	Latitude	Longitude			
Menara IQ, Tun Razak Exchange, Kuala Lumpur	3.14085	101.71899	KAF IB, KIF	Floods	Low
Chulan Tower, Jalan Conlay, Kuala Lumpur	3.14934	101.71623	KAF DB	Floods	Low
Wisma Goldhill, Jalan Raja Chulan, Kuala Lumpur	3.15036	101.70840	Disaster Recovery Centre	Floods	Low
Treasury Tower, South Jakarta, Jakarta	-6.22785	106.80617	KSI	Various	Low
Overall					Low

The Malaysian operations are exposed to the main acute hazard of floods whereas the Indonesian operation are exposed to various acute hazards. The Group have assessed the climate-related physical risk vulnerability as Low where for FYE June 2025, there has been no material hazard incidence recorded for the Group's four physical business locations above. The Group further has controls and procedures in place to mitigate disruption to business operations as outline in the Group's Business Continuity Management Policy & Procedures.

Climate-related physical risks on financial assets

KAF IB conducts climate-related physical risks assessments on its financial assets at the corporation level. The assessment at the corporation level is undertaken at the point of on-boarding and annually thereafter (*Note that similar to climate-related transition risks, climate-related physical risk assessment on the financial assets of the Group is presently confined to that of KAF IB as KAF DB is presently exempted*).

- **KAFIB's financial assets internal climate-related physical risk grading**

KAFIB Financial Assets	Physical Risks Vulnerability	FYE June 2025 (RM'000)	%
Private and Islamic debt securities	High	10,297	1.1
	Medium	76,702	8.3
	Low	827,494	89.2
Financing/Loans	Low	13,099	1.4
Total	-	927,592	100.0
<i>Exclusions*</i>	-	6,914,545	-

**Note: Financial assets under the category of (1) Cash and short-term funds (RM1.21 billion), (2) Sovereign exposures including federal and sub-sovereign (i.e. state governments) and their guaranteed special purpose financing vehicles but excludes those guaranteed but are not special-purpose financing vehicles (RM5.68 billion) and (3) Loans to staff/connected parties, certain strategic investments in unquoted securities & derivative financial assets (RM17.2 million) have not been subjected to a climate-related risks & opportunities assessment.*

For KAFIB, the total portfolio under assessment on climate-related physical risk stood at RM927.6 million of which it was identified financial assets (in the form of private and Islamic debt securities) amounting to RM10.3 million (1.1% of total portfolio) has a High vulnerability to climate-related physical risks where the corporation' principal business activity is in the agriculture sector.

The low level of financial assets with a high vulnerability to climate-related physical risks in the portfolio is due to the high vulnerability being a trigger during the on-boarding credit assessment process where KAF IB would need to consider whether appropriate adaptation measures are in place in order to mitigate the transmission of climate-related physical risk to credit risk. For example, a bad crop harvest from unusually low rainfall could impair the repayment capacity of the corporation and KAF IB would need to assess whether the corporation has sufficient financial buffers to mitigate such a scenario.

Note that on-going enhancement is also being undertaken on the climate-related physical risk assessment process as further discussed in **Box 3** below.

Box 3: On-going enhancements to climate-related physical risks assessment process

KAF IB is continuously refining its climate-related physical risk assessment methodology for corporations with more complex profiles than for example a single fixed-site project finance:

- A bank where its predominant climate-related physical risks are not from its physical business locations but indirectly from the climate-related physical risks of its financial assets.
- A conglomerate with multiple business segments where physical assets are numerous and spread out.
- A shipping company where the physical asset is movable.

Key Climate-related Physical Risks Target:

The Group will maintain asset value with low vulnerability to acute and chronic physical risk at above 70% by FYE June 2051. At the same time, asset with medium to high risk will be reduced by 50% by FYE June 2041.

5.4 Climate-Related Opportunities & Capital Deployment/Client Engagement

The Group while recognising the challenges from the climate-related risks associated with climate change, also sees opportunities for the Group to capitalise on and adapt to throughout its primary business activities. These opportunities include increasing its capital deployment by realigning its portfolio of financial assets (KAF IB) as well as AUM (KIF) and pivoting its corporate advisory services (KAF IB) towards green, sustainable & climate supporting activities and initiatives.

Climate-related opportunities/capital deployment in financial assets

Climate-related opportunities/capital deployment in financial assets is confined to KAF IB whereby as aforementioned KAF DB is presently exempted from the requirements of the CRMSA. KAF IB classifies its financial assets under 3 categories:

- **Carbon-Intensive Assets:** Financial assets in which the corporation carry a GHG emissions rating of High or Very High under the ENCORE tool.
- **Climate Neutral Assets:** Financial assets which are neither Carbon-Intensive Assets or Climate Supporting Assets (defined below).
- **Climate Supporting Assets:** Financial assets that are classified as climate supporting under the CCPT classification whereby the purpose of financing is for *Climate Change Mitigation* and/or *Climate Change Adaptation* activities, the description of which is provided under **Box 4** below.

Box 4:

- **Climate Change Mitigation** is an undertaking to reduce or prevent GHG emissions into the atmosphere. Examples of a Climate Change Mitigation are the 6 energy transition levers expounded by the government in the NETR launched in August 2023:

NETR Climate Change Mitigation Levers	Description
Energy Efficiency	<ul style="list-style-type: none">• For the manufacture, purchase of energy-efficient equipment & appliances.• For the development/retrofitting of new/existing buildings resulting in energy efficiency in accordance to recognized green building standards.
Renewable Energy	<ul style="list-style-type: none">• For the development of solar, hydro, tidal, wind, geothermal electricity generation facilities.• For the development of energy/battery storage system.• For the manufacture of renewable energy components.
Hydrogen	<ul style="list-style-type: none">• For the manufacture of green hydrogen (i.e. where power is sourced from renewable energy).• For the development of hydrogen or co-firing hydrogen electricity generation facilities.
Bioenergy	<ul style="list-style-type: none">• For the manufacturing or supply of biomass, biogas & biofuel (i.e. biodiesel) (Bioenergy). Biomass is derived from agriculture, livestock as well as municipal waste.• For the development of Bioenergy or co-firing Bioenergy electricity generation facilities.

Green Mobility	<ul style="list-style-type: none"> For the development of urban mass transit (train, buses). For the manufacture/purchase of electric vehicles (EV). For the development of EV charging stations and mobile hydrogen refueling stations.
CCUS	For the development of carbon, capture, utilization & storage facilities (CCUS).

- **Climate Change Adaptation** on the other hand is an undertaking to increase resilience in order to lower the negative effects and/or moderate harm caused by climate change. Examples of a Climate Change Adaptation activity for various sectors of the economy:

Economic Sectors	Climate Change Adaptation activities
Water	<ul style="list-style-type: none"> Water conservation and rainwater harvesting in areas prone to water stress. Improvement in drainage to cope with increased frequency/severity of floods arising from intense rainfall. Building of flood barriers such as flood walls and seawalls to protect from future flooding.
Agriculture/Forestry	<ul style="list-style-type: none"> Adopt sustainable forest management and sound harvesting techniques to reduce soil erosion and vulnerabilities to wildfires. Conservation of forestry (e.g. to prevent soil erosion which will damage agricultural production, and disrupt local settlements or water supplies) with the primary objective of supporting the adaptation of others. Soil and water management to increase water availability in areas experiencing increased water stress.
Construction	<ul style="list-style-type: none"> Adapting buildings with capability to cope with future climate conditions and extreme weather events. Consideration of sea-level rise in the design of a bridge.
Transportation	Design and construction of climate resilient/climate-proofed transport network.
Health	Development and deployment of heat waves early warning system to reduce associated illnesses and deaths.

- **KAFIB's financial assets internal climate-supporting grading**

KAFIB Financial Assets	Classification	FYE June 2025 (RM'000)	%
Private and Islamic debt securities	Climate Supporting	31,067	3.3
	Climate Neutral	753,370	81.2
	Carbon-Intensive	130,056	14.0
Financing/Loans	Climate Neutral	13,099	1.4
Total	-	927,592	100.0
<i>Exclusions*</i>	-	6,914,545	-

**Note: Financial assets under the category of (1) Cash and short-term funds (RM1.21 billion), (2) Sovereign exposures including federal and sub-sovereign (i.e. state governments) and their guaranteed special purpose financing vehicles but excludes those guaranteed but are not special-purpose financing vehicles (RM5.68 billion) and (3) Loans to staff/connected parties, certain strategic investments in unquoted securities & derivative financial assets (RM17.2 million) have not been subjected to a climate-related risks & opportunities assessment.*

For KAFIB, Climate Supporting Assets at RM31.1 million for FYE June 2025 accounted for 3.3% of the total financial asset portfolio of RM927.6 million. KAF IB intends to further increase its Climate Supporting Assets particularly for the financing of NETR projects. In the immediate term, one of these financing opportunities would be from the fifth large scale solar programme.

Overall, the increasing traction to transition to a low-carbon economy as evident with the government launch of the NETR blueprint and the rapid acceleration in solar PV installation would generate ample financing opportunities for KAF IB to increase and realign its financial assets portfolio towards more Climate Supporting Assets.

- **Climate-related opportunities in AUM**

The Group's subsidiary KIF is a holder of a capital markets services licence issued under the Capital Markets and Services Act 2007. As at FYE June 2025, KIF has 16 collective investment schemes in its suite of offerings which covers a range of product types with different risk profiles, both conventional and Islamic collective investment schemes and a winner of 8 prestigious awards at the LSEG Lipper Fund Awards 2025. Going forward, KIF may consider to introduce sustainability-related collective investment schemes to suit the needs of the Malaysian public.

- **Climate-related opportunities and client engagement in corporate advisory services**

The Group through KAF IB is also actively involved in providing corporate advisory services. For FYE June 2025, KAF IB successfully advised the listing of 5 corporates on Bursa Malaysia, of which KAF IB is proud to advise the listing of one corporation whose principal business activity falls under the NETR category of bioenergy.

KAF IB foresees increasing opportunities and will focus on engaging with potential clients involved in the 6 energy transition levers of the NETR, particularly as capital raising gains momentum to transition to a low-carbon economy, as evident in the rapid accelerated roll-out of solar PVs as abovementioned.

Key Climate-related Opportunities & Capital Deployment/Client Engagement Target:

The Group aims for 25% of the credit exposure are economic activities that support transition to low carbon economy by FYE June 2041 and will engage clients with similar objectives of low carbon economy.