

# BSIB Climate-Related Disclosure



# Table of Contents

<b>Introduction</b> .....	<b>3</b>
Climate Change and BSIB’s role.....	3
BSIB’s Support for TCFD .....	3
<b>Governance</b> .....	<b>5</b>
Board Oversight & Responsibility .....	5
Management Accountability .....	6
Capacity Building .....	6
Sustainability and Climate-Related Discussions in Board Meetings.....	7
Risk Management.....	7
<b>Strategy</b> .....	<b>8</b>
Climate Strategy and Sustainability Measures .....	8
Customer Resilience and Disaster Response Measures.....	9
Environmental Management of End-of-Life Vehicles (ATL Claims) .....	9
Waste Reduction through Recycling, Reuse and Give-Away Initiatives.....	10
Climate-related Risks .....	11
<b>Risk Management</b> .....	<b>12</b>
Approach for Managing Climate-related Risks .....	12
Integration in Risk Management Framework and Policy.....	14
<b>Metrics and Target</b> .....	<b>28</b>
Operations Metrics and Target .....	28
Investment Metrics and Target .....	29
Performance Monitoring .....	29
Metrics Data – Operational Data .....	30
Data Assumptions, Methodologies and Limitations .....	30
Greenhouse Gas Emissions Coverage and Limitations .....	32
<b>Conclusion</b> .....	<b>33</b>

# Introduction

## Climate Change and BSIB's role

Berjaya Sompo Insurance Berhad (“**BSIB**”) recognizes that climate change presents both significant challenges and new opportunities for the insurance industry. As a forward-looking general insurer, we are committed to strengthening resilience, supporting Malaysia’s national climate agenda, and contributing to the country’s commitments under the Twelfth Malaysia Plan, Nationally Determined Contributions (**NDCs**<sup>1</sup>), and other frameworks that advance sustainable and climate-resilient growth.

Climate change continues to influence underwriting, investment, and operational decisions across the financial sector. In response, BSIB has embedded sustainability and climate considerations into its corporate strategy to safeguard long-term value creation for policyholders, shareholders, and communities. Our approach is anchored on proactive risk management, transparent disclosure, and strategic alignment with global and domestic sustainability frameworks.

## BSIB's Support for TCFD

In line with guidance from Bank Negara Malaysia (**BNM**) and the Task Force on Climate-related Financial Disclosures (**TCFD**), Berjaya Sompo Insurance Berhad (**BSIB**) continues to advance its climate-related governance, strategy, and risk management practices. BNM’s expectations under the Climate Risk Management and Scenario Analysis (**CRMSA**) require financial institutions to identify, assess, and disclose material climate-related risks that could impact their business and financial stability.

Our disclosure for the financial year 2025 demonstrated BSIB’s ongoing commitment to implementing the TCFD recommendations. It provides a transparent view of how we govern, assess, and respond to climate-related risks and opportunities across four key pillars:-

- Governance: Oversight and accountability mechanisms established by the Board and Management.

- Strategy: Integration of climate considerations into business decisions and long-term planning.
- Risk Management: Frameworks and processes to identify, assess, and mitigate climate-related risks.
- Metrics & Targets: Quantitative indicators and commitments that track performance and progress.

This disclosure reflects BSIB's continued journey towards climate resilience, regulatory compliance and transparency. It also reinforces our broader ambition to contribute meaningfully to Malaysia's sustainable finance ecosystem and to uphold the principles of the United Nations Global Compact (UNGC).

*<This space is intentionally left blank>*

<sup>1</sup>NDCs – Malaysia's official climate commitments submitted to the United Nations Framework Convention on Climate Change (UNFCCC) under the Paris Agreement (2015).

## Governance

Strong governance underpins BSIB's approach to managing climate-related risks and opportunities. Climate considerations are embedded within our corporate governance structure to ensure accountability, transparency, and consistent oversight at all levels of the organization. This enables BSIB to respond effectively to evolving regulatory requirements and stakeholder expectations while supporting long-term business resilience.

### Board Oversight & Responsibility

The Board of Directors of BSIB (**Board**) holds ultimate responsibility for overseeing BSIB's sustainability and climate-related agenda. The Board ensures that climate considerations are integrated into strategic planning, risk management, and capital allocation decisions, and that progress against sustainability objectives is monitored and reported transparently.

On 9<sup>th</sup> June 2025, the Board welcomed Puan Norita Ja'afar as a new Director. She brings strong sustainability credentials, including expertise in climate governance, carbon offsetting, blue carbon, and leading ESG reporting standards. Her appointment enhances the Board's capacity to guide BSIB's climate strategy and disclosure efforts.

The Sustainability Steering Committee (**SSC**) supports the Board and Executive Committee (**EXCO**) by overseeing the implementation of sustainability and climate-related strategies, policies, and performance indicators. On a half-yearly basis, the Risk Management Department submits updates on BNM's Climate Change and Principle-Based Taxonomy report to the Risk Management Committee (**RMC**). Through the RMC, the Board also reviews outcomes of climate scenario analyses and evaluates potential impacts on the Company's underwriting, investment, and operational activities.

The Board's credentials, roles and responsibilities are detailed in Pages 3 to 8, of the Director's Report and Audited Financial Statements, dated 31 December 2025.

## Management Accountability

The SSC, chaired by the Chief Compliance & Sustainability Officer (**CCSO**), includes members of Senior Management, such as the Chief Financial Officer (**CFO**), Chief Human Resources Officer (**CHRO**) and Chief Operating Officer (**COO**). Representatives from Risk Management and core business divisions participate to ensure cross-functional alignment.

The Committee meets as required, to review regulatory developments, assess progress of climate initiatives, and coordinate integration of sustainability priorities across functions. In 2025, the Committee convened a total of seven meetings. The SSC is responsible for translating the Board's strategic direction into actionable initiatives and monitoring the effectiveness of implementation.

BSIB has established Sustainability Key Performance Indicators (KPIs) across the ESG dimensions to monitor the progress of sustainability and climate-related initiatives. The oversight of sustainability KPI implementation and performance is undertaken by the SSC, which regularly reviews the progress of initiatives and activities and reports consolidated updates to EXCO yearly. This monitoring mechanism provides EXCO with visibility over sustainability performance, supports informed decision-making, and forms the basis of BSIB's governance approach to sustainability KPI oversight.

## Capacity Building

BSIB recognizes that effective climate governance requires ongoing capacity building. In 2025, Board members and Senior Management participated in a sharing session by EY on IFRS S1 and S2 Reporting Requirements. The session enhanced understanding of Malaysia's National Sustainability Reporting Framework (**NSRF**) and BNM's revised CRMSA policy, which mandates TCFD-aligned and IFRS-based climate-related disclosures. The training strengthened leadership understanding and competency to guide BSIB's transition towards transparent, high-quality, and assurance-ready sustainability reporting.

Organisation-wide training and e-learning modules on Environmental, Social and Governance (**ESG**) topics were also implemented to strengthen awareness and foster a sustainability-oriented culture across all staff levels, including new and existing agents.

In addition, BSIB also actively participated in Joint Committee on Climate Change (**JC3**) knowledge-sharing sessions and industry working groups. These engagements provided updates on regulatory developments, scenario analysis methodologies, and best practices in sustainable finance. Continuous participation in JC3 programmes has enhanced the technical competency and ensured alignment with national and sector-wide efforts to strengthen climate risk management and disclosure practices.

### Sustainability and Climate-Related Discussions in Board Meetings

In 2025, climate-related matters, including CRMSA and Climate Risk Stress Testing (**CRST**), are regularly discussed at the RMC and Board on quarterly basis to support effective oversight and integration across BSIB’s operations. The following key agenda items were presented and deliberated in the RMC and Board meetings in 2025.

Period	Agenda	Meetings
March 2025	I. CRMSA Disclosure II. CRMSA Compliance Gap Assessment	RMC & Board
June 2025	I. CRST Design and Methodology Walkthrough	
Aug 2025	I. CRST Result	
December 2025		

### Risk Management

The management of climate-related risks is integrated within BSIB’s Enterprise Risk Management (ERM) Policy through a clearly defined Three Lines of Defence model. This governance structure establishes distinct roles, responsibilities, and accountabilities to support the effective identification, assessment, management, and oversight of climate-related risks across the organisation. Through this approach, climate-related risks are embedded into core risk management processes, subject to independent oversight and challenge, and escalated to senior management and the Board as appropriate.

# Strategy

## Climate Strategy and Sustainability Measures

The Sampo Group (**Group**) established “SOMPO Climate Action” in FY2021, which includes climate change adaptation and mitigation, along with contributing to social transformation as our commitment to implement a comprehensive approach to climate change risks and opportunities, under which we promote strategic initiatives throughout the Group.

As part of its climate opportunity strategy and in support of the transition to low-carbon mobility, BSIB continues to expand its electric vehicle (EV) insurance offerings. In collaboration with its bancassurance partner, CIMB Bank Berhad, BSIB provides an EV add-on insurance benefit package with tailored coverage for electric vehicles, including towing to charging stations, EV charger protection, and personal accident benefits. The package is available for both new and used EVs and is complemented by premium discounts and cash rebates for the bank’s customers to encourage EV adoption. In 2025, BSIB recorded strong growth in its EV portfolio, with the number of EV policies and certificates increasing by 46%, while Gross Earned Premium from EV-related business grew by 75%. This growth reflects increasing market demand and the effectiveness of BSIB’s strategy in capturing emerging opportunities associated with the low-carbon transition. BSIB has further strengthened its position within the EV ecosystem through partnerships with both established and emerging EV brands, including Chery, MG, Xpeng, eMas, DongFeng, and iCAUR. BSIB, through its company website, develops a flood-related assistance guide to its customers to promote awareness of climate-related risks and encourage risk-mitigating behaviours, including the adoption of safer driving practices, vehicle technologies, and insurance solutions that support resilience in the transition to low-carbon mobility.

## Customer Resilience and Disaster Response Measures

BSIB's disaster recovery programme is designed to enhance customer resilience and support policyholders affected by climate-related and other disaster events. The programme includes an expedited claims process, dedicated Servicing Agents, and the MySOMPO app to facilitate efficient and convenient claims submission.

To strengthen financial preparedness and risk protection, BSIB emphasizes the importance of comprehensive insurance coverage, including fire, burglary, money, liability, and fidelity, and encourages businesses to ensure that sums insured accurately reflect the value of their assets. For large-scale losses, interim payments are made available to provide timely financial relief and support business continuity.

In addition, BSIB offers SOMPO FlexiSME, a modular insurance solution designed for small and medium-sized enterprises with total property values of up to RM10 million. This solution enables customers to customize coverage based on their risk profiles, thereby strengthening protection and resilience against climate-related and disaster risks.

## Environmental Management of End-of-Life Vehicles (ATL Claims)

BSIB incorporates environmental considerations into its motor claims management through the structured handling and disposal of Actual Total Loss (ATL) vehicles. Vehicles assessed as ATL are formally reported to the Road Transport Department (JPJ) via the Insurance Services Malaysia (ISM) system within five (5) working days from the date of assessment, ensuring timely deregistration and preventing unsafe or severely damaged vehicles from re-entering circulation. Upon settlement, all original vehicle documents and keys are surrendered and retained for governance and regulatory control. Where an Authorised Automotive Treatment Facility (AATF) is available, ATL vehicles are sent to the AATF within five (5) working days upon deregistration, and a Certificate of Destruction is obtained as proof of proper disposal. This process supports environmentally responsible end-of-life vehicle management by promoting regulated dismantling, recycling of recoverable materials, and safe treatment of hazardous waste, while reducing the risk of illegal rebuilding, uncontrolled scraping, and environmental pollution. Through this approach,

BSIB contributes to road safety, waste reduction, and improved environmental outcomes, while ensuring compliance with regulatory requirements and reinforcing responsible claims governance. Based on Merimen's results, 2025 recorded a significant increase in closed cases with salvage value, reaching 86 cases totaling RM 94,700 (compared to 42 cases at RM 23,600 in 2024). Similarly, closed cases without salvage value saw an upward trend, rising to 23 cases in 2025 from 11 cases the previous year.

### **Waste Reduction through Recycling, Reuse and Give-Away Initiatives**

BSIB promotes waste reduction and circular economy practices through staff engagement initiatives focused on recycling, reuse and responsible consumption. As part of this effort, BSIB organises a dedicated one-day give-away and reuse event, providing employees with an opportunity to donate unwanted but usable items and allowing others to take and reuse these items. This initiative complements the Company's ongoing recycling programmes and supports the reduction of waste sent to landfill by extending the useful life of materials. Through these initiatives, BSIB encourages mindful consumption, reduces resource wastage and fosters greater environmental awareness among employees, contributing to improved environmental outcomes at the operational level.

*<This space is intentionally left blank>*

## Climate-related Risks

### Physical Risk

Physical risks refer to the direct impacts of climate change resulting from the increased frequency and severity of natural disasters. For BSIB, this includes heightened exposure to floods, storms, heat waves, and other extreme weather events. The most significant concern for BSIB is the increased occurrence of floods in Malaysia, which has led to substantial claims relating to property damage and business interruption. To mitigate these risks, BSIB has established reinsurance protection for a severe flood loss event, ensuring financial resilience during extreme weather occurrences. Additionally, BSIB continuously monitors underwriting exposure limits for flood-prone areas and adjusts its strategies accordingly.

### Transition Risk

Transition risks arise from the broader societal shift towards a low-carbon economy. This includes evolving regulatory requirements, technological advancements, market shifts, and changes in societal preferences that may impact BSIB's business. Specific concerns include restrictions on investments related to high-carbon industries, such as new coal power plant projects. BSIB enforces underwriting and investment restrictions in these areas to minimize exposure to potential financial and reputational risks. BSIB also acknowledges that as climate regulations continue to develop, there may be increased in operational costs and compliance requirements to address these transition risks effectively.

### Liability Risk

Liability risks refer to the potential legal and reputational consequences arising from inadequate management of climate-related risks. As climate change awareness increases globally, BSIB recognizes the possibility of legal claims arising from perceived failure to disclose or manage climate risks appropriately. Potential legal risks could include litigation relating to inadequate disclosure of climate-related risks or alleged negligence in addressing these risks through insurance underwriting practices. BSIB aims to mitigate liability risks by maintaining transparency in its risk management processes and adhering to evolving regulatory requirements concerning climate-related disclosures.

# Risk Management

BSIB has implemented targeted measures to address climate-related risk assessment and monitoring, focusing on key areas most relevant to its operations and regulatory requirements. In addition to reinsurance protection and investment restrictions, BSIB has incorporated climate-related risk assessment on outsourced service providers since 2023. The assessment process evaluates potential financial losses and disruptions from climate-related events, as well as social and economic risks arising from inadequate ESG practices.

BSIB ensures capital adequacy through processes that maintain sufficient capital to absorb potential climate-related losses. Annual stress testing exercises are conducted to evaluate the impact of severe climate-related events, such as major floods, on underwriting performance and capital adequacy. The results are used to refine capital planning, establish risk limits, and enhance resilience. Furthermore, liquidity buffers are maintained to address unexpected claims arising from climate-related events.

## Approach for Managing Climate-related Risks

BSIB applies a structured approach to assess and manage climate-related risks aimed at enhancing resilience and ensuring compliance with regulatory expectations. BSIB's approach is broken down into assessments for Physical Risk, Transition Risk, and Liability Risk, as detailed in the table below.

Physical Risk		
Flood Exposure & Financial Loss	<p><b>Risk Impact</b></p> <p>Severe flooding in recent years, exacerbated by the rising sea level and altered rainfall patterns may increase BSIB's exposure to flood-related losses due to higher payout for flood-related damages.</p>	<p><b>Key Mitigations</b></p> <ul style="list-style-type: none"> <li>Secured reinsurance coverage for a 1-in-250-year flood loss event in both Fire and Motor segments to enhance financial resilience during extreme weather occurrences</li> </ul>
Operational Disruption Due to Climate Events	<p><b>Risk Impact</b></p> <p>Heightened climate changes and other external threats may impact BSIB's operations, impacting service availability, financial reporting, and customer experience.</p>	<p><b>Key Mitigations</b></p> <ul style="list-style-type: none"> <li>BSIB has established robust business continuity plans designed to ensure minimal disruption to critical operations and maintain essential functions during floods or other extreme weather events, thereby supporting the company's ability to sustain operations effectively.</li> </ul>

<b>Physical Risk</b>		
<b>3<sup>rd</sup> Party Climate Risk Exposure</b>	<p><b>Risk Impact</b></p> <p>Disruptions caused by climate-related hazards such as floods could compromise the continuity of critical services provided by third-party vendors, leading to potential financial losses, reputational damage, and operational inefficiencies.</p>	<p><b>Key Mitigations</b></p> <ul style="list-style-type: none"> <li>Assessing climate-related risks of outsourced service providers, including their resilience to physical risks and adherence to ESG practices, helps BSIB minimize risks and enhance operational continuity while protecting its reputation and reducing disruptions from climate-related events.</li> </ul>
<b>Technology Infrastructure Resilience</b>	<p><b>Risk Impact</b></p> <p>Potential damage or disruption to the Data Centre due to extreme weather events could result in significant downtime, data loss, or compromised operational continuity.</p>	<p><b>Key Mitigations</b></p> <ul style="list-style-type: none"> <li>Ensuring the primary data center meets the required risk rating qualifications for resilience against natural catastrophes, particularly floods, and is located in a secure area with a low likelihood of natural disasters to minimize potential disruptions.</li> </ul>
<b>Transition Risk</b>		
<b>High-Carbon Industry Exposure</b>	<p><b>Risk Impact</b></p> <p>High-carbon industry exposures could lead to reputational risks, reduced investor confidence, and challenges in meeting evolving regulatory requirements focused on decarbonization.</p>	<p><b>Key Mitigations</b></p> <ul style="list-style-type: none"> <li>BSIB enforces underwriting and investment restrictions on new coal power plant projects.</li> </ul>
<b>3<sup>rd</sup>-Party Compliance with ESG &amp; Climate</b>	<p><b>Risk Impact</b></p> <p>Failure of third-party providers to meet ESG and climate-related expectations could expose BSIB to reputational and operational risks, as well as potential non-compliance with regulatory standards.</p>	<p><b>Key Mitigations</b></p> <ul style="list-style-type: none"> <li>Evaluating outsourced services for alignment with sustainability objectives and adherence to climate-related regulatory expectations.</li> </ul>
<b>Regulatory Compliance</b>	<p><b>Risk Impact</b></p> <p>Evolving regulatory requirements from BNM and other authorities may require substantial changes to BSIB's operations, processes, and reporting, leading to potential compliance risks and resource allocation challenges.</p>	<p><b>Key Mitigations</b></p> <ul style="list-style-type: none"> <li>Regularly assessing potential gaps and readiness for compliance with future BNM regulations related to climate risk management.</li> </ul>
<b>Liability Risk</b>		
<b>Potential Liability &amp; Reputational Damage</b>	<p><b>Risk Impact</b></p> <p>Non-compliance with climate-related disclosure requirements or failure to manage climate risks effectively could result in legal claims, financial penalties, and reputational damage.</p>	<p><b>Key Mitigations</b></p> <ul style="list-style-type: none"> <li>Ensuring transparency in climate-related disclosures and adhering to regulatory requirements to mitigate potential legal claims and reputational risk.</li> </ul>

BSIB remains committed to strengthening its climate resilience by continuing to enhance its climate risk management framework, including through reinsurance protection, investment restrictions, appropriate business continuity planning, and strict adherence to regulatory

requirements. At present, BSIB leverages external proprietary flood modelling from Aon as a key reference tool to support its physical climate risk assessment. The outputs from this modelling are used to inform management's understanding of flood exposure trends and vulnerabilities across different states.

Moving forward, BSIB intends to progressively develop its internal capabilities by translating these modelling insights into more granular flood risk heatmaps. This will enhance the identification of exposure concentrations and support more risk-informed decision-making.

## Integration in Risk Management Framework and Policy

To support sustainable growth, climate-related risks are fully integrated into BSIB's existing risk management framework, where climate risk assessments are incorporated into various aspects of the company's risk management process. These include capital planning, where capital requirements are evaluated to address climate risks, and stress testing, which ensures resilience by assessing potential loss scenarios. Risk monitoring and reporting are carried out regularly, with updates provided to the Board, RMC, and RMWC to ensure ongoing oversight and responsiveness to climate-related risks. The following provides an overview of the measures implemented by BSIB across key risk domains in support of our ongoing commitment to responsible risk governance and regulatory compliance.

### i) Credit Risk Assessment

BSIB has integrated climate-related considerations into its credit risk assessment framework through a restricted risk appetite for coal-related sectors across both underwriting and investment activities. This strategic exclusion is aimed at mitigating potential credit losses arising from transition risks, including policy shifts and sectoral decline. Furthermore, BSIB maintains a cautious stance in its reinsurance arrangements by engaging only with counterparties possessing a minimum credit rating of A- by A.M. Best or Standard & Poor's (**S&P**). Based on the current portfolio composition and credit exposure review, BSIB assesses that climate-related risks do not materially impact its credit risk profile at this juncture.

## ii) Market Risk Assessment

BSIB has aligned its investment policy with the Group's long-term objective of achieving net-zero greenhouse gas (**GHG**) emissions by 2050. The Investment Policy strictly prohibits new investments in coal-fired power generation and oil and gas extraction. Investment activities are monitored for compliance, with quarterly reporting to the Management and the Board. This structured governance approach has contributed to a disciplined portfolio composition, and the assessment indicates that climate-related market risk is currently minimal.

## iii) Liquidity Risk Assessment

BSIB has considered climate-related risks as part of its liquidity risk management and stress testing framework. A scenario simulating a 1-in-250-year flood event was applied, assuming a gross loss to be paid immediately, without recoveries available to support liquidity. Despite the severe nature of this stressful event, BSIB maintains sufficient liquidity buffers in the form of fixed deposits, money market instruments, and unit trust holdings. Liquidity ratios are monitored on a quarterly basis and maintained within approved risk tolerance thresholds. The conclusion of this assessment is that climate-related risk does not pose a significant threat to the company's liquidity position.

## iv) Operational Risk Assessment

BSIB has addressed the operational impacts of climate-related events through its Business Continuity Management (**BCM**) Policy. The BCM framework includes a Business Continuity Plan (**BCP**) and Crisis Management Plan (**CMP**), both of which have been enhanced to incorporate natural disaster scenarios linked to climate change. In addition, sustainability-related considerations are embedded into BSIB's Outsourcing Risk Assessment (**ORA**), enabling the identification of service providers that support the Group's climate transition goals. As a result, the company considers the impact of climate risk on operational continuity to be minimal.

## v) Insurance Risk Assessment

BSIB has evaluated the implications of climate risk on its underwriting and reserving processes. Given the short-term duration of general insurance and reinsurance contracts, long-term climate change impacts are inherently limited. Nonetheless, a comprehensive stress testing exercise has been conducted, incorporating a 1-in-250-year flood event to account for potential climate-induced amplification of losses. The outcome from this exercise concludes that climate risk is currently immaterial to BSIB's overall insurance risk exposure. Ongoing reviews of underwriting criteria and reinsurance arrangements serve to further mitigate this risk.

## vi) Climate Risk Scenario Analysis

BSIB conducted the Climate Risk Stress Test (**CRST**) and a high-level climate scenario analysis in 2025 to assess its potential impact across three key categories i.e. financial, operational and reputational. The CRST exercise primarily focused on the financial implications of climate risk, incorporating the BNM prescribed scenarios i.e. short-term flood risk event and the three (3) long-term climate scenarios which were developed by Network for Greening the Financial System (**NGFS**). In addition, a qualitative climate scenario analysis and materiality assessment were carried out to help evaluate the potential future climate outcomes, conditional over three (3) distinct time horizons i.e. short-term (1-3 years), medium-term (3-10 years) and long-term (10-30 years). To ensure consistency with the CRST exercise, the long-term scenario considered in this analysis were aligned with the NGFS scenarios.

CRST outcomes suggest that the impact of climate-related risks on BSIB's financial position remains insignificant, with CAR expected to decline by marginal amount of percentage:

- Short-term: CAR is projected to drop by 2-3% taking into account the 1-in-200 years extreme flood loss event.
- Long-term: The impact on CAR for long-term is expected to vary by 2%-17% dependent on the NGFS case scenario; Net Zero 2050 (*Orderly*), Divergent Net Zero 2050 (*Disorderly*) and National Determined Contributions (*Hot House World*)

The projection indicates that the impact of climate risk remains immaterial on BSIB solvency and capital adequacy. However, it is imperative for BSIB to remain vigilant, as climate-related risks could materialize over the longer period, amplifying the scale and magnitude of business losses. Furthermore, despite Malaysia being situated in a relatively secure geographical location, the country is not entirely immune from other extreme climate-related events, as evidenced by several minor earthquakes affecting the southern region and past of East Malaysia.

To account for potential climate scenarios, BSIB has undertaken qualitative analysis and materiality assessment to evaluate the impact of climate risk across financial, operational and reputational dimensions. The analysis categorizes the scenarios into physical and transition risk, providing a comprehensive view of their effects on BSIB business and operations.

**Methodology**

The scenario analysis was conducted on a qualitative basis in which the potential impacts under each scenario and time horizon were assessed in terms of direction, relative severity, and risk transmission pathways, rather than attempting point estimates or probabilistic outcomes.

**Time Horizon**

<b>Short-term (1-3 years)</b>	<b>Medium-term (3-10 years)</b>	<b>Long-term (10-30 years)</b>
-------------------------------	---------------------------------	--------------------------------

## Physical Risk

	Physical Risk	Impact Assessment
Short-term	<p>There is a growing uncertainty surrounding climate-related events, particularly flooding. Heavy and increasingly unpredictable rainfall patterns may lead to more frequent flash floods affecting major urban centers and industrial zones such as the Klang Valley, Johor &amp; Penang.</p>	<p><b>Underwriting &amp; Pricing Risk</b> Noticeable increase of flood-related claims but remain within the risk tolerance. Fire segment will be largely impacted by this event as compared to Motor, due to immobility aspect of the insured and its larger coverage value. There is a limited impact on premium increase.</p> <p><b>Investment Risk</b> Anticipated damages on infrastructures and real assets as flood worsen, subsequently affecting its value. The depreciation in value of assets may badly affect the market fluctuations, incurring medium to high market value losses, thereafter, lowering the amount of investment revenue generated.</p> <p><b>Operational Risk</b> Frequent flood events have significant impact on business continuity. However, the location of the Company’s headquarters and branches are considered non-hazardous, situated miles away from the flood-concern area. There is a small probability of flood occurrence nearing the business sites, but ongoing monitoring is in place. Initial data centre assessment confirmed that there is a very low risk of flood at the location of alternate data centre.</p>
Medium-term	<p>Global sea-levels are projected to rise by 15cm by 2035 primarily driven by thermal expansion, accelerated ice sheet melt and increasing GHG emission. This will heighten the frequency and severity of climate-related events e.g. flood, which may become more persistent as other physical risks materialise.</p> <p>Rising surface temperature coupled with more frequent heatwave phenomenas are likely to trigger a larger scale incidence of fire-related events affecting buildings, forest and vehicles (EV). Elevated surface and ocean temperatures</p>	<p><b>Macroeconomic Risk</b> Increase in global sea level will exacerbate prolonged flood events impacting the commodity-based sector such as agriculture and fisheries causing major hit on supply chain and food security. Such advances may drive the national inflation up, pushing the overall price of goods upward.</p> <p><b>Strategic Risk</b> The increasing uncertainty may affect business growth as many sectors face difficulty in keeping afloat due to higher costs in managing climate consequences. This will lead to higher potential of default among the insured. The limitation to expanding insurance business may pose substantial impact on BSIB’s solvency and liquidity, as the insurance liability grows larger.</p>

Medium-term

may also disrupt marine ecosystems and threaten fish stocks.

Prolonged droughts, stemming from sustained temperature increases, may further exacerbate water stress risks in Malaysia. This is anticipated to emerge over the medium- to long-term compounded by rising water demand from overconsumption and industrialisation (e.g. data centre developments in Johor). Such conditions could adversely undermine the nation's food security.

**Underwriting & Pricing Risk**

Escalating claims, particularly due to catastrophic events will prompt a significant increase in insurance premiums.

**Reinsurance Risk**

As flood-related claims becoming increasingly financially unsustainable, reinsurance coverage may be insufficient to mitigate the claim amount. Reinsurers may reduce the reinsurance capacity or limit their participation to manage exposure. It is foreseeable that there will be a potential increase in net retention, driving higher liability. This may pose significant impact on BSIB's asset & liability management.

**Investment Risk**

There is a potential of substantial downgrade in companies credit rating leading to higher potential of default & supply chain disruption. Such events will pose ripple effects on the broader market which will lead to lower investment yield for BSIB.

**Operational Risk**

There is a significant impact on business continuity arising from greater flood events.

Long-term

**Net Zero 2050 (NZ 2050)**

Weather-related events are projected to increase moderately relative to current levels, while remaining manageable, as global temperature and sea-level rise occur gradually. Drought and heatwave phenomenas are anticipated to remain minimal as surface temperature rises are contained.

**Underwriting & Pricing Risk**

As the flood and other weather-related disasters expected to subside, insurance claims are likely to normalise and become more gradual. This will allow BSIB to adjust pricing strategies and reinsurance arrangement in a more advance manner.

**Investment Risk**

Overall market value losses are projected to remain relatively modest. As the severity of climate disasters receded and adaptation costs are evenly spread out, the market performance is expected to be resilient, with minimal impact on its volatility and fluctuations.

**Operational Risk**

Minimal physical damages on BSIB own assets. Businesses may proceed as usual with less customer service disruption expected.

**Strategic Risk**

A stable climate transition enables BSIB to consider potential growth opportunities in renewable-energy and resilience-linked insurance products.

Long-term

**Divergent Net Zero 2050 (DNZ 2050)**

Climate-related events under this scenario are expected to be more abrupt and severe compared to the NZ 2050 scenario. Despite the temperature limit by 1.5°C, the physical climate risk such as flooding, sea-level rise and increase in surface temperature are more likely to intensify due to delayed implementation of mitigation measures.

**Underwriting & Pricing Risk**

A sudden surge and escalating claims payout particularly in high-risk area may necessitate sharp premium restructuring.

**Investment Risk**

Moderate investment losses from high-emission economies due to higher severity of flood and other climate-related events as compared to NZ2050 scenario.

**Operational Risk**

While infrastructure damages are more likely, they remain manageable, allowing business operations to continue with minimal customer service disruption. However, operational and maintenance costs are expected to rise significantly and abruptly under this scenario.

**Macroeconomic Risk**

Heightened inflation and slower GDP recovery due to adaptation lag may weaken insurance penetration and premium growth.

**Nationally Determined Contributions (NDCs)**

Climate-related events are expected to become increasingly persistent and severe. Significant global sea-level & surface temperature rise may result in widespread and severe flooding. Greater unpredictability in rainfall and wind patterns is expected, alongside heightened risks of typhoons and rainstorms. Droughts are likely to prolong and storms become more intense as a result of continued warming.

**Underwriting & Pricing Risk**

Major spike in loss ratios as climate-related events materialise and become more severe.

**Investment Risk**

High potential for systemic risk to materialise as the majority of the industries are badly affected from the weather-related disasters. The declining market performance will subsequently affect the Company's investment revenue, or worst, may affect the overall solvency should the situation becomes financially and economically unviable.

**Operational Risk**

Notable damages sustained from flood disaster on infrastructures e.g. tangible assets, buildings and data centers. These damages may pose significant disruption on the systems subsequently causing delay in policy issuance.

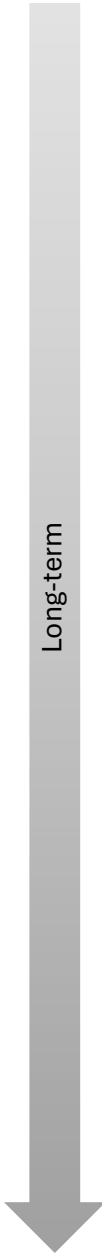
**Reinsurance Risk**

Reinsurers impose stricter terms, higher catastrophe retentions, and premium rate hikes.

## Transition Risk

	Transition Risk	Impact Assessment
Short-term	<p>The implementation of climate regulation intensifies during this period, with greater emphasis on new regulatory and reporting requirement. The Government plans to introduce a carbon tax in 2026 initially targeting large &amp; high-emission industries i.e. iron, steel and energy. In response, companies are expected to begin adopting new technologies to enhance the climate risk resilience, while customer preferences are likely to gradually shift towards greener products and services.</p>	<p><b>Underwriting &amp; Pricing Risk</b> Moderate impact on underwriting and premium pricing following the implementation of carbon tax especially in large corporation and high carbon emission sectors.</p> <p><b>Investment Risk</b> Market movement remain cautious amid the ongoing climate transition, particularly on shift in investors preference for green assets. BSIB's investment revenues are largely generated from financial and utility sectors. Hence, the impact from the transition risk is expected to be low to medium, supported by stable income streams, although market performance may still experience notable fluctuations.</p> <p><b>Operational Risk</b> Operational risk is expected to be moderately impacted by short-term transition risk, as the overall shift towards green development is anticipated to accelerate. This is driven by the new reporting standard which may impose additional burden on BSIB in meeting the intended requirement.</p>
Medium-term	<p>Malaysia is targeting to deploy 10,000 EV charging stations by 2025 to support the transition towards EV. On the other hand, the scope of the shadow carbon tax is expected to broaden, extending beyond large corporations, to include SMEs and other carbon-intensive industries such as cement, aluminium and fertilisers.</p> <p>Companies begin accelerating the adoption of green technologies, driven by increasing pressure from shifting customer and investor preferences. There is a growing anticipation of heightened regulatory scrutiny, as the Government advances initiatives under the National Energy Transition</p>	<p><b>Underwriting &amp; Pricing Risk</b> Align with the national target of 10,000 EV charging point by 2025, the underwriting business is expected to shift towards EV dominated section for Motor segment. Greater expectation on the changes in pricing structure for Motor product as the market shift to EV. Additionally, the implementation of carbon pricing regimes may require further premium re-pricing, affecting both Motor &amp; Fire products.</p> <p><b>Strategic Risk</b> Imposition of carbon pricing may act as a catalyst for the shift in consumer behaviour in fostering EV and renewable energy. The changes in consumer preferences are expected to pose a moderate impact on BSIB's business growth.</p> <p><b>Investment Risk</b> Substantial credit rating downgrade of investment assets due to failure in adhering to climate and ESG regulations, particularly involving fossil fuel-linked companies. Such condition could significantly affect BSIB's investment returns. Nonetheless, BSIB has taken the appropriate</p>

Long-term



<p>Roadmap (NETR) and National Climate Change Policy 2.0.</p>	<p>measures by diversifying its investment portfolio away from high-emission sectors, in line with the company risk appetite, to cushion the potential impact from such events.</p> <p><b>Operational Risk</b> Higher exposure to regulatory scrutiny thus increasing potential reputational losses due to potential regulatory noncompliance as a result of increasing regulatory requirements and lack of expertise in this area.</p>
<p><b>Net Zero 2050 (NZ 2050)</b> Regulatory requirements are expected to be widely adopted across industries including the high-emission sectors. Most companies are anticipated to be well-adjusted to the transition and aligned with pledged policies. Effective implementation of carbon tax may help contain the release of GHG emission which is expected to stabilise the weather-related disasters, over time. This includes major strides in carbon dioxide removal (CDR).</p>	<p><b>Underwriting &amp; Pricing Risk</b> As more companies adopt ESG in their business and operations, the pricing is anticipated to move towards incorporating ESG assumptions and its implication on goods and maintenance cost. This will drive higher pricing of premium to account for higher cost on green technological adoption.</p> <p><b>Investment Risk</b> The overall market value losses are expected to remain relatively low. While investment revenue from high-emission companies may be affected by increasing capital outflow, the impact is anticipated to be offset by rising demand and growth opportunities in green and sustainable assets.</p> <p><b>Operational Risk</b> Moderate transition impact on compliance risk for BSIB. Notwithstanding, the regulatory penalty is expected to be very severe should BSIB fail to adhere with the regulatory requirement.</p>
<p><b>Divergent Net Zero 2050 (DNZ 2050)</b> Despite a similar temperature increase limit to the NZ2050, the new and effective policies are not implemented until 2030. This delay is expected to result in significantly high transition risks, as industries may be unprepared for the sudden introduction of stringent policy measures.</p>	<p><b>Underwriting &amp; Pricing Risk</b> The underwriting business will highly likely face a sudden and sharp premium restructuring.</p> <p><b>Investment Risk</b> Sustained market value losses due to abrupt policy implementation giving rise to volume of stranded assets particularly in high-emission sectors. This may drive market and economic shock such as inflation and supply chain disruption, subsequently affecting the overall market performance.</p> <p><b>Macroeconomic Risk</b></p>

Long-term

	<p>Higher likelihood for job displacement particularly for high-emission or fossil fuel-linked sectors, giving rise to the national unemployment rate. This may drive higher inflation rate, pushing the general cost of goods upwards.</p> <p><b>Operational Risk</b> High potential of incompliance risk. Despite restricting the underwriting and investment business in coal-related sectors, the abrupt policy implementation may pose higher susceptibility for BSIB to regulatory incompliance due to the nature of these businesses which is contract-based.</p>
<p><b>National Determined Contributions (NDCs)</b> Under this scenario, all pledged policies are implemented but prove insufficient to mitigate the impact of climate risk. While transition risks are expected to remain relatively low, adaptation and mitigation cost may increase substantially at later stages as climate-related disasters intensify.</p>	<p><b>Underwriting &amp; Pricing Risk</b> Minimal impact to the pricing as a result of minimal changes expected for customer behavioural and adaptations to lower carbon economy.</p> <p><b>Investment Risk</b> Low to moderate market value losses is expected. Despite the minimal impact on local market, continued reliance on fossil fuel may expose the local companies to international trade penalties, which may significantly affect their values, subsequently causing a potential market fluctuation affecting the BSIB's investment revenue.</p> <p><b>Operational Risk</b> Minimal impact of compliance risk due to laxer regulatory implementation.</p>

## Climate Scenario Impact Analysis

The tables below outline the potential impact of climate risk on the respective key risk areas.

Climate Physical Risk	Short-term	Medium-term	NZ2050	DNZ2050	NDCs
<b>Underwriting &amp; Pricing Risk</b>	Noticeable increase in number of flood-related claims as flood impact tends to magnify in shorter-term	Moderate to significant premium increase to mitigate the financial losses arising from climate events	Claims are likely to normalise and be more gradual as climate impact continues to minimize	Sudden surge in claims payout due to continued worsening of weather events	Significant increase in claims and loss ratios as weather disaster events significantly deteriorate
<b>Investment Risk</b>	Moderate market volatility as impact from weather disasters began to materialize	Lower investment yield due to substantial credit rating downgrade	Market value losses remain relatively modest as market volatility stabilize driven by lower cost of climate adaptation	Moderate investment losses but higher than NZ2050. This is due to higher likelihood of climate events	Higher potential for systemic risk due to widespread financial losses
<b>Operational Risk</b>	Significant impact on business continuity, limit by sufficient control in place	Significant impact on business continuity as floods worsen	Minimal infra damages, lower business and operational disruption	Partial infra damages and operational breakdown, but relatively manageable	Notable damages on assets and buildings posing significant disruption to operations
<b>Reinsurance Risk</b>		Reduced reinsurance capacity driving higher net retention			
<b>Strategic Risk</b>		Limited business growth affecting solvency and capital resilience	Growth opportunities in green products e.g. renewable energy		
<b>Macroeconomic Risk</b>		Major impact on economic balance; supply chain disruption		Weaker insurance penetration due to growing inflation	

Climate Transition Risk	Short-term	Medium-term	NZ2050	DNZ2050	NDCs
Underwriting & Pricing Risk	Moderate impact on premium repricing following carbon tax implementation	Significant impact on premium restructuring as market largely shifted to EV	Higher premium repricing to account for rising cost of ESG adaptation	Sharp premium restructuring due to sudden policy implementation	Minimal impact on premium repricing due to slower shift in demand for green products
Investment Risk	Low to medium impact on market performance amid ongoing transition	Moderate investment losses and potential lower returns due to credit rating downgrade	Low market value losses as losses from brown markets will be offset by green assets	Sustained to high market value losses e.g. increase in volumes of stranded assets	Low to moderate market value losses due to less aggressive transition measures
Operational Risk	Moderate impact driven by new reporting standard	Increasing exposure to regulatory scrutiny and reputational losses	Moderate compliance risk as regulatory requirements become highly stringent	Higher potential for regulatory noncompliance arising from the inability to comply to abrupt policy implementation	Minimal impact on compliance risk due to laxer regulatory requirements
Strategic Risk		Moderate impact on business growth due to a shift in consumer preference			
Economic Risk				Higher inflation rate driving cost of goods upwards	

BSIB's 2025 Climate Risk Scenario Analysis assesses physical and transition risks across multiple time horizons and climate pathways. The results indicate that physical risks intensify under delayed transition scenarios due to higher claims, asset damages, and reinsurance strain, while transition risks mainly affect short- to medium- term underwriting, investment, and compliance exposures.

It is important to note that the potential impacts are derived purely from a qualitative assessment of climate change consequences, without relying on any specific climate tools or modelling at this stage. We acknowledge that climate risk is not an isolated risk; rather, it could materialize through existing risk categories including underwriting, investment and operational risk. Given the complexity and underlying uncertainties surrounding the extent of climate impacts, determining the most probable effects remains challenging. Accordingly, we have adopted prudent approach in recognizing and assessing its potential implications towards BSIB's business and operations.

The assessment also considers the compounding effects of climate risk on the broader economic environment and the corresponding risk consequences that may arise for the Company. Climate scenarios evaluate the potential impacts from the arising climate events over the different time-horizon towards BSIB. Based on the materiality assessment, we have identified the key climate risks affecting BSIB business and operations. The key risks analyzed based on the projected scenarios will be taken into consideration for the continual key risk monitoring.

Greater attention should be placed on the short- to medium-term potential climate risk and impact particularly those affecting the insurance payout, with continual monitoring on the external pressure from the macro-environment.

BSIB affirms its commitment to integrating climate-related risks into all relevant aspects of its risk management framework. The measures outlined above demonstrate a clear and proactive response to climate risk, incorporating policy development, stress testing, climate scenario analysis and, and oversight governance. Current assessments indicate that climate-related risks are relatively not materially significant to the company's financial

soundness. Nevertheless, BSIB remains vigilant in monitoring climate-related developments and will continue to enhance its risk management practices in line with regulatory expectations and industry's best practices.

*<This space is intentionally left blank>*

# Metrics and Target

Addressing the challenges of climate change requires a comprehensive and coordinated effort across the organization. BSIB adopts an integrated approach by setting measurable targets and implementing action plans within its operations and investment functions. These targets strengthen accountability, drive continuous improvement, and ensure that the Company consistently advances its practices and methodologies towards achieving a more sustainable and resilient future.

At this juncture, BSIB has undertaken an initial assessment of climate-related impacts and exposures based on currently available data and internal risk evaluations. The assessment indicates that the financial and operational impacts are presently not material to the overall business performance. Consequently, there are no quantitative climate-related metrics required for disclosure at this stage. The Company will continue to monitor developments in regulatory requirements, data availability, and risk exposure levels, and will enhance its measurement and disclosure practices as methodologies mature and material impacts emerge.

## Operations Metrics and Target

Our operations: Setting targets for our own emissions and driving actions across our business

Operations	Long-Term Commitment (2050)
Our Climate Commitments	2050: Net Zero in Scope 1,2 and 3 Emissions*

\*Details of the definition can be found in Metrics Data section

## Investment Metrics and Target

Our investment: Setting targets for investment activities and driving climate-related actions. The ESG Principles practiced by BSIB is aligned with the Group’s objective, which is dictated by Sampo International Holdings. A fossil fuel policy was established in 2021 and guidance as per below: -

Operations	Long-Term Commitment (2050)
Our Climate Commitments	2050: Net Zero in Greenhouse gas (GHG) Emissions.
Levers for near-term targets	<p>Restriction in new investments: -</p> <ol style="list-style-type: none"> <li>1. Will not invest in new or existing coal power plants or thermal coal mining projects.</li> <li>2. Will not invest in oil and gas extraction projects in the oil sands or the Arctic Refuge.</li> <li>3. Will not invest in companies that:               <ol style="list-style-type: none"> <li>i. Rely on coal for &gt;30% of their income;</li> <li>ii. Use coal to generate &gt;30% of their energy; and</li> <li>iii. Are involved in oil and gas extraction projects in the Arctic Refuge.</li> </ol> </li> </ol> <p>The restriction does not apply to existing investment, of which around 2% (RM 60 million) existing funds have been invested in Coal Related projects. In line with the Group’s policy to achieve 0% exposure by 2035, BSIB will progressively reduce its exposure over time, considering investment maturities and market conditions.</p>

## Performance Monitoring

We regularly monitor our progress toward achieving climate-related targets and report on our performance in the ESG Survey to the Group’s reporting annually. The survey is conducted by Sampo Holdings and its consolidated companies in and outside Japan. Performance is evaluated against established metrics, and adjustments are made as required to ensure that we meet our climate-related goals.

## Metrics Data – Operational Data Reporting on Greenhouse Gas (GHG)

Item	Unit	2019	2020	2021	2022	2023	2024	2025
Scope 1	tCO2e	76	50	35	37	45	48	46
Scope 2	tCO2e	1,258	1,058	932	738	696	686	751
Scope 3	tCO2e	627	435	392	515	550	572	715
<b>Total Scope 1-3</b>	<b>tCO2e</b>	<b>1,961</b>	<b>1,543</b>	<b>1,360</b>	<b>1,290</b>	<b>1,290</b>	<b>1,306</b>	<b>1,512</b>
<b>Total Reduction</b>			<b>-21.3%</b>	<b>-30.7%</b>	<b>-34.2%</b>	<b>-34.2%</b>	<b>-33.4%</b>	<b>-22.9%</b>
<i>Petrol usage</i>	<i>KLtr</i>	33	22	15	16	20	20	19
GHG Scope 1	tCO2e	76	50	35	37	45	48	46
<i>Electricity usage</i>	<i>kWh</i>	1,670,468	1,320,361	1,254,458	979,879	930,226	954,560	1,044,875
GHG Scope 2	tCO2e	1,258	1,058	932	738	696	686	751
<i>Business Travel</i>	tCO2e	216	28	17	147	187	185	248
<i>Employee Commuting</i>	tCO2e	411	407	375	368	363	388	467
GHG Scope 3	tCO2e	627	435	392	515	550	572	715
<i>Electricity Consumption/ Employee</i>	<i>kWh/ staff</i>	2,610	2,083	2,144	1,710	1,646	1,580	1,786

Note: 2019 used as base-year (pre-covid). Emission factors follow the GHG Protocol methodology, with updates applied according to the latest available guidance for each reporting year.

## Data Assumptions, Methodologies and Limitations

### Fuel Consumption (Petrol)

Petrol consumption data for the period from 2019 to 2021 could not be fully validated due to the absence of a complete and reliable historical data source. As such, emissions for these years are subject to data limitations. For reporting years 2022 and 2023, petrol consumption emissions were calculated using the GHG Protocol methodology, with emission factors applied based on the latest available guidance for each respective reporting year to ensure methodological consistency and relevance.

## Electricity Consumption

For reporting years 2019 to 2023, electricity consumption (in kWh) was estimated using Finance's historical conversion factor of 1.95 kWh per RM, as only electricity expenditure data was available for those years. Lower electricity usage observed from 2021 onwards reflects operational changes, including the closure of selected branches and workforce attendance on a rotational basis during the COVID-19 pandemic period. From 2024 onwards, BSIB transitioned to using actual metered electricity consumption data obtained from Tenaga Nasional Berhad (TNB) invoices, supported by branch-level monthly electricity meter readings, representing a significant enhancement in data accuracy and reliability.

## Business Travel Emissions

Business travel emissions have been recalculated following the identification of an error in the emission factor applied in earlier disclosures, which resulted in a misstatement of reported emissions. The calculations have since been reviewed and corrected using appropriate and updated emission factors in accordance with recognised methodologies. The revised figures have been internally validated and formally ratified by an independent third-party consultant. This restatement reflects a correction of methodology rather than a change in actual operational activity, and is intended to enhance the accuracy, transparency, and integrity of BSIB's emissions reporting. Overseas business travel emissions are calculated based solely on airfare expenditures, with emission factors derived from the Ministry of the Environment, Japan.

## Employee Telecommuting and Commuting Emissions

Employee telecommuting data reflects the total number of employees utilising the telecommuting system, based on definitions adopted from Sompo Holdings. Emission factors for electricity consumption and employee commuting, including work-from-home electricity usage, are based on the Energy Commission of Malaysia's latest published emission factors (2025, using 2024 data). Employee commuting surveys were first conducted in 2024; however, the 2024 and 2025 survey results are not directly comparable due to differences in survey design. The 2025 survey methodology is more granular, capturing detailed information such as air-conditioning usage hours, electrical equipment

usage, and transport mode split, representing an improvement in data quality. Accordingly, year-on-year comparisons should be interpreted with caution. Employee commuting emissions are calculated using a distance-based approach. For reporting years 2019 to 2023, commuting emissions were estimated using a back-casting methodology, applying an average per-employee emission factor derived from 2024 and 2025 data to historical headcount figures to ensure consistency and reasonable estimation.

## Greenhouse Gas Emissions Coverage and Limitations

BSIB currently measures and discloses greenhouse gas (GHG) emissions across Scope 1, Scope 2, and selected Scope 3 categories, primarily focusing on operational activities where data availability and control are more established.

Scope 1 and Scope 2 emissions are measured based on internal fuel and electricity consumption data, while Scope 3 emissions are currently limited due to data availability constraints, methodological complexity, and reliance on third-party information, particularly in relation to value-chain activities. BSIB acknowledges that Scope 3 emissions, including financed and insured emissions, are expected to represent a significant component of its overall climate impact; however, these are not yet comprehensively measured due to current limitations in data quality, evolving industry methodologies, and customer-level information. To address these gaps, BSIB intends to progressively enhance its Scope 3 coverage. This includes conducting a formal climate materiality assessment, incorporating financed and insured emissions, identifying priority emission sources and key risk exposures. The outcomes of this assessment will determine the scope, depth, and sequencing of future measurement, management, and disclosure efforts, and will support the development of the Climate Transition Plan as data availability and regulatory expectations continue to evolve.

## Conclusion

BSIB is dedicated to managing climate-related risks and leveraging opportunities to enhance our sustainability performance. Based on our metrics data, our total Scope 1 to 3 reduction rate for 2025 is at a reducing rate, using 2019 as the baseline point. BSIB is currently developing the Climate Transition Plan, which is expected to be finalized and available by end-2026. The Climate Transition Plan will incorporate relevant requirements under BNM's Climate Risk Management and Scenario Analysis (CRMSA). The Plan will be subject to Board oversight and approval and will provide a structured roadmap to ensure alignment with regulatory expectations and the progressive management of climate-related risks and opportunities. Our commitment to transparency, governance, and strategic integration ensures that we are well-positioned to navigate the evolving climate landscape and create long-term value for our business partners, customers, and stakeholders.