



AmBank Islamic



Joint Committee
on Climate Change

JC3 CONFERENCE: #FinanceForChance

Application and Operationalisation of the Taxonomy

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Chief Executive Officer, AmBank Islamic Berhad

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1

**UNDERSTANDING
CLIMATE CHANGE &
VBI**

2

**IMPLEMENTATION
OF CCPT AT
AMBANK GROUP**

3

**KEY SUCCESS
FACTORS**

SUSTAINABILITY

CLIMATE CHANGE

Impact to **surface temperature** and **sea level**, volatility in **local climate** including **rainfall patterns**, and higher frequency and severability of **disaster occurrences**

Industry Guidance for climate-related risk

Climate Change and Principle-based Taxonomy (CCPT)

Facilitate assessments of economics activities and their associated impact on climate mitigation, adaption and the transition to low-carbon and sustainable practices

VALUE-BASED INTERMEDIATION

Shares universal traits with sustainability/ ESG but has additional characteristics..

- Shariah as moral compass

- Focus on real economy

- Emphasis on social finance

Industry Guidance on ESG risk assessment

VBI Financing & Investment Impact Assessment Framework (VBIAF)

Facilitate the implementation of an impact-based risk management system, for assessing financing and investment activities of FIs

VBIAF Sectoral Guides

Toolkit to guide FIs in implementing VBIAF on selected sectors at transactional level to attain ESG Risk Score

	Climate Change Principle-Based Taxonomy	VBI Sectoral Guides																										
FOCUS	Climate change risks	Aggregation of environmental, social and governance risks																										
OUTPUT	Classification of Economic Activity (Transaction): <ul style="list-style-type: none"> C1 Climate Supporting C2 Transitioning C3 C4 Watchlist C5 	ESG Risk Score of Transaction: <ul style="list-style-type: none"> L Low M Medium H High U Unacceptable 																										
METHODOLOGY	Derived from Guiding Principles	Weighted average of Measurements of the Metrics of the Risk Categories																										
LEVEL	1. GP1 and GP2 Economic Activity (Transaction) 2. GP3 , GP4 and GP5 Business (Customer)	Transaction																										
PROPOSED MAPPING	<p>VBIAF Sectoral Guides: The 'Transaction-level risk metrics and risk score' Table in the Guides provides examples of Risk Categories and recommended Metrics (and the corresponding Measurements) relating to ESG risks, including Climate Change-related risks.</p> <p>With the introduction of the CCPT Classification, the Risk Categories in the 'Transaction-level risk metrics and risk score' Table which are related to Climate Change risks can potentially be grouped into a single Risk Category – Climate Change, whereby the ESG Risk Score for the Risk Category – Climate Change would be derived using the CCPT Classification which is then mapped to the ESG Risk Score based on the following mapping:</p>																											
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 30%; text-align: center;">CCPT Classification</th> <th style="width: 10%; text-align: center;">→</th> <th style="width: 30%; text-align: center;">ESG Risk Score in VBI Sectoral Guide</th> </tr> </thead> <tbody> <tr> <td>C1</td> <td>Climate Supporting</td> <td style="text-align: center;">→</td> <td>L Low</td> </tr> <tr> <td>C2</td> <td rowspan="2">Transitioning</td> <td style="text-align: center;">→</td> <td>M Medium</td> </tr> <tr> <td>C3</td> <td style="text-align: center;">→</td> <td>H High</td> </tr> <tr> <td>C4</td> <td rowspan="2">Watchlist</td> <td style="text-align: center;">→</td> <td>H High</td> </tr> <tr> <td>C5</td> <td style="text-align: center;">→</td> <td>U Unacceptable</td> </tr> <tr> <td></td> <td>Regardless of CCPT Classification, where the Customer does not comply with GP5</td> <td style="text-align: center;">→</td> <td>U Unacceptable</td> </tr> </tbody> </table>			CCPT Classification	→	ESG Risk Score in VBI Sectoral Guide	C1	Climate Supporting	→	L Low	C2	Transitioning	→	M Medium	C3	→	H High	C4	Watchlist	→	H High	C5	→	U Unacceptable		Regardless of CCPT Classification, where the Customer does not comply with GP5	→	U Unacceptable
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CCPT Guiding Principles:

GP1 Climate change mitigation**GP2** Climate change adaptation**GP3** No Significant harm to the environment**GP4** Remedial efforts to promote transition**GP5** Prohibited activity



SUSTAINABILITY FRAMEWORK

Sustainability Statement

AmBank Group's **strategies, activities and portfolio** will consider the **environmental, social and governance (ESG)** impacts, including **climate change risks** and ensuring that adequate procedures in relation to **anti-bribery/ corrupt practices are in place** – to ensure that they contribute to the greater good of our stakeholders (e.g. **customers, shareholders, employees, regulators, communities**) – without compromising **AmBank Group's financial objectives**

3 Sustainability Themes

1 RESPONSIBLE BANKING

We are committed to conduct our business and engage customers in a responsible manner

2 CONSCIOUS SELF-CONDUCT

We are committed to ensure that our own conduct reflects our aspiration to become a sustainable organisation

3 POSITIVE SOCIETAL IMPACT

We contribute to a more sustainable future by considering how we interact with our wider communities

10 Sustainability Matters

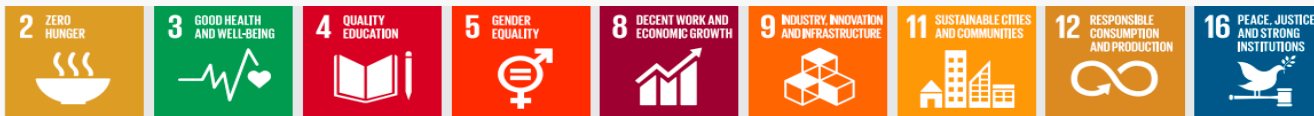
- Customer Satisfaction & Responsible Sales and Marketing 1
- Brand & Market Presence 2
- Data Security & Digital Transformation 3
- Responsible Lending & Source of Funds **VBI** (including financial inclusion/ access to finance & responsible products/ services) 4
- Responsible Investments & Advisory Services 5

- Ethics, Governance & Compliance 6
- Employee Development and Well-being 7
- Responsible Procurement 8
- Energy, Plastics & Waste Management 9

- Community Investments and Development 10

Viewed from the lenses of **ESG** and **Climate Change**

UN SDG's



Maqasid Shariah

PROTECTION OF **FAITH** (DIN)



PROTECTION OF **LIFE** (NAFS)



PROTECTION OF **INTELLECT** (AQL)



PROTECTION OF **LINEAGE** (NASL)



PROTECTION OF **PROPERTY** (MAL)



Core Values




AmBank Group IMPLEMENTATION FOCUS

KEY CHALLENGES

- Culture/ mind set shift, across all stakeholders
- Developing capabilities to implement
- Resources/ high capital investments
- Embed impact of climate change consideration into strategy, risk (and opportunities) analyses

IMPLEMENTATION WORK STREAMS

POLICIES & GUIDELINES

e.g. Policies, Guidelines, Checklists,
Templates

PROCESS

e.g. Process, Systems, Reporting

PEOPLE

e.g. Awareness, Culture, KPI, Customer
engagement programme, Line of defence

SOLUTIONING

1. Products
2. Terms and Conditions
3. Remedial Plan

**FOR ILLUSTRATION
PURPOSES ONLY**

ESG Risk Score for the Risk Category – Climate Change would be derived using the CCPT Classification

VBI SECTORAL GUIDE									
ENVIRONMENTAL					SOCIAL			GOVERNANCE	OVERALL ESG RISK SCORE
Climate / GHG Emissions	Biodiversity loss & deforestation	Water	Pollution Prevention & Resource use efficiency	Land	Labour Rights & Working conditions	OSH	Human Rights & Community Relations	Governance	
Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium	Medium
High	High	High	High	High	High	High	High	High	High
Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable

The other Environment, Social & Governance related Risk Categories in the 'Transaction-level risk metrics and risk score' Table would continue to be used as the other constituents to arrive at the final ESG Risk Score.

CLIMATE CHANGE PRINCIPLE-BASED TAXONOMY

CCPT Classification

C1: Climate Supporting

C2 and C3: Transition

C4 and C5: Watchlist

Regardless of CCPT Classification, where the Customer does not comply with Guiding Principle 5

VBI SECTORAL GUIDE									
ENVIRONMENTAL					SOCIAL			GOVERNANCE	OVERALL ESG RISK SCORE
Climate Change				Land	Labour Rights & Working conditions	OSH	Human Rights & Community Relations	Governance	
Low				Low	Low	Low	Low	Low	Low
Medium				Medium	Medium	Medium	Medium	Medium	Medium
High				High	High	High	High	High	High
Unacceptable				Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable	Unacceptable

SUSTAINABILITY AGENDA

1

Tone from the top

2

Overall Champion

CEO of AmBank Islamic

3

Dedicated Sustainability Department

4

Formalised Sustainability Agenda

Sustainability Framework:

Formalise Statement, Themes, Matters, Sponsors, KPIs

Responsible Lending

★ *Heart of Sustainability Agenda*

5

Tackling Climate Change Risks

★ *Heart of Sustainability Agenda*

RESPONSIBLE LENDING:

ESG (Investors) & Climate Change Dimensions

6

Enhanced Lending/ Financing

Policies and Guidelines

Credit paper template

Assessment process and decision-making

System

KPIs

Reporting

Training

Culture/ mind-shift:
Start engaging customers,
nurture mentality

7

Develop an Implementation Roadmap

8

Track, Monitor and Recalibrate



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