Al Rajhi Banking & Investment Corporation (Malaysia) Bhd

Task Force on Climate-related Financial Disclosures

DECEMBER 2025

Disclaimer

Al Rajhi Banking & Investment Corporation (Malaysia) Bhd (alrajhi bank Malaysia) endorses the Financial Stability Board (FSB)'s Task Force on Climate-related Financial Disclosures (TCFD) recommendations for climate-related financial disclosures. This document outlines our disclosures in alignment with these recommendations.

The information set out in the disclosures provides key climate information and data relevant to alrajhi bank Malaysia's operations for the year ended 31 December 2025. The data is compiled for the financial year 1 January 2025 to 31 December 2025 unless otherwise specified. Measurement techniques and calculations are explained alongside the data tables where applicable.

Content

alrajhi bank Malaysia

An overview

This report covers Al Rajhi Banking & Investment Corporation (Malaysia) Bhd (alrajhi bank Malaysia) as a wholly owned subsidiary of alrajhi bank, Kingdom of Saudi Arabia. It focuses on climate-related financial disclosures for the Malaysian entity and is intended to complement, and not replace, climate-related disclosures published at Group level.

alrajhi bank Malaysia is the first Saudi Arabian Islamic financial institution to operate in Southeast Asia. Locally incorporated in 2005 and licensed by the Malaysian Minister of Finance in 2006, we are a wholly owned subsidiary of alrajhi bank Kingdom of Saudi Arabia, one of the largest banks in the world by market capitalization and the largest in the Middle East and Saudi Arabia.

Our offerings include personal finance, financing for corporate customers, home financing, and cash management, accessible through our 13 branches across Peninsular and East Malaysia, including the Klang Valley.

Our values

Integrity and Transparency
Openness and the highest standards of corporate and personal ethics in all that we do.

Passion to Serve Our Customers
A strong commitment to anticipate and address customer needs beyond expectation, helping them achieve their objectives.

Modesty
Humility in thought and deed in everything we do.

Innovativeness
Nurturing imagination and fostering creativity for better results.

Meritocracy
Defining, differentiating, and reinforcing excellence in people.

Care for Society
Contributing towards a better tomorrow.

Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) framework facilitates the integration of climate-related considerations into institutional processes, supporting the effective evaluation and management of climate impacts on long-term financial outcomes.

This report presents climate-related disclosures prepared with reference to the recommendations as set out in the Recommendations of the TCFD issued in June 2017, including the subsequent enhancements introduced in October 2021, and is consistent with the Joint Committee on Climate Change (JC3) TCFD Application Guide for Malaysian Financial Institutions issued in June 2022.

Governance

At alrajhi bank Malaysia, climate change is recognized as a principal risk, and as such, the Board of Directors maintains ultimate responsibility for overseeing the Bank's climate resilience and the successful execution of its sustainability strategy. Oversight is exercised through the Board Risk Management and Compliance Committee (BRMCC), which ensures that climate considerations are integrated into the Bank's risk appetite and enterprise risk management framework in alignment with Bank Negara Malaysia's (BNM) Climate Risk Management and Scenario Analysis (CRMSA) policy document which outlines principles and requirements for financial institutions to manage climate-related risks effectively.

The Management comprising Executive Risk Management Committee (ERMC) and Executive Committee (EXCO) of alrajhi bank Malaysia is accountable for the implementation of the Bank's climate strategy and for integrating climate considerations into operational processes, including credit underwriting, portfolio monitoring, as well as the review of results of climate scenario analysis and stress testing. The Management aligns sustainability initiatives with the Bank's overall objectives and guiding long-term goals, while also leading the development and implementation of policies covering environmental, social, and governance standards.

The Bank's Sustainability Committee, comprising designated members representing key functions (e.g. Strategy, Risk Management, Corporate Banking, Retail Banking, Treasury, Human Resources, Shariah, Finance), continues to play a central role in ensuring the Bank's sustainability agenda is effectively governed and executed.

The Committee also strengthens risk management by identifying and addressing sustainability-related risks such as climate change and regulatory developments, and ensures transparent stakeholder engagement with investors, customers, employees, and regulators. The Committee meets on quarterly basis to coordinate climate-related initiatives and ensure cross-functional alignment that climate considerations are embedded across business and support units collectively.

Governance structure and responsibilities

Body	Key Climate-Related Responsibilities
Board of Directors	Ultimate responsibility for climate resilience, provides oversight on climate risk appetite and strategic sustainability targets.
Management (ERMC and EXCO)	Oversees the operational implementation of sustainability strategies and monitors climate KPI progress.
Sustainability Committee	Ensures overall alignment with sustainability frameworks.

Alignment with Maqasid al-Shariah

As a Shariah-compliant financial institution, the Bank aligns its approach to climate change with the principles of Maqasid al-Shariah which also align with the Sustainable Development Goals (SDGs). These principles emphasize the protection of life, preservation of wealth, and safeguarding of the environment, thereby reinforcing the Bank's commitment to responsible and sustainable practices in managing climate-related risks.

Strategy

Climate risk and opportunity assessment

The Bank identifies climate-related risks as either physical or transition risks and evaluates their potential impacts across short-, medium-, and long-term horizons. Physical risks arise from climate-related events such as flooding and heat stress, while transition risks are associated with regulatory, technological, and market shifts toward a low-carbon economy.

To provide a clearer view of how risks evolve under different conditions, the Bank applies scenario analysis using internationally recognized frameworks.

Climate scenario analysis

The Bank utilizes NGFS-aligned climate scenarios to assess potential impacts on its portfolio and financial performance. These scenarios provide a structured view of how climate risks may unfold under different policy and economic pathways.

Climate scenario summary

Scenario	Policy assumptions	Emissions pathway	Physical risks	Transition risks	Economic impact
No Policy	No additional climate policies	High emissions (>3°C warming)	Severe	Low	Long-term negative
Late Transition	Delayed policy action	Moderate decline (2.5–3°C)	Moderate decline (2.5–3°C)	High	Short-term disruption
Early Transition	Strong early policy	Moderate decline (2.5–3°C)	Moderate	Moderate	Long-term positive

Results from climate scenario analysis are used to inform the Bank's strategic planning, including portfolio risk positioning, sectoral exposure management, and identification of emerging risks and opportunities. Insights from the analysis support decision-making on risk appetite, capital allocation, and long-term business resilience under different climate pathways.

Strategic opportunities

In addition to risk mitigation, the Bank continues to identify opportunities arising from the transition to a low-carbon economy. These include financing renewable energy projects, issuing green sukuk, and supporting clients in their decarbonization efforts.

Sustainability roadmap for 2025-2028

The Bank's Sustainability Roadmap for 2025–2028 is designed to strengthen climate risk management and align with Bank Negara Malaysia's (BNM) Climate Risk Management and Scenario Analysis (CRMSA) requirements. The roadmap is aligned with global and local frameworks, including the UN Sustainable Development Goals (SDGs) and BNM's Value-Based Intermediation (VBI). It emphasizes practical sustainability efforts such as energy efficiency, responsible consumption, climate action, and stakeholder partnerships. At the same time, it integrates Shariah principles, financial stability considerations, and ethical finance practices.

The Roadmap positions CRMSA as a core strategic pillar and provides a structured, phased approach to achieve compliance while remaining cost-effective for a mid-sized Islamic bank. Key milestones include completing critical CRMSA elements by end of 2025 and transitioning to National Sustainability Reporting Framework (NSRF)-aligned disclosures by 1 January 2027.

The Roadmap also highlights key risks such as regulatory non-compliance and limited internal resources, which are mitigated through phased execution, clear accountability, and strong governance oversight. The Bank has established governance structures, a sustainability policy, climate-related risk appetite (RAS), and supporting tools such as scenario analysis models and stress testing.

Climate risk considerations are embedded into credit, risk management, and reporting processes, and climate disclosures (TCFD-aligned) have begun.

Across business segments, the Roadmap introduces tailored climate transition strategies. Corporate banking will conduct portfolio-level climate risk assessments and recalibrate risk appetite, while treasury will gradually explore green or ESG investments and improve transparency through ESG screening. Retail banking will prioritize customer education and awareness campaigns.

The Roadmap is structured into four phases:
i. foundation (2025);
ii. assessment and target setting (2026);
iii. action and engagement (2027); and
iv. review and enhancement (2028).

Immediate priorities include embedding climate considerations into strategy, enhancing monitoring tools and KRIs, and preparing for regulatory disclosures. Over time, alrajhi bank Malaysia aims to strengthen reporting, expand training, introduce green financing guidelines, and deepen customer engagement.

By 2027, full CRMSA compliance and NSRF reporting are expected, while 2028 focuses on continuous improvement, alignment with global standards, and integration of climate risk into long-term strategic and stress testing processes.

One team, one tower: strengthening synergies

alrajhi bank Malaysia launched its new head office in Kuala Lumpur in November 2025, marking a significant milestone in the Bank's operations in Malaysia since its establishment in 2006 as the first Saudi Arabian Islamic bank in Southeast Asia.

The new premises consolidates the Bank's operations from multiple sites including Wisma Golden Eagle Realty, Manara Chan, Chulan Tower and Menara Hap Seng 3 into a single hub at Integra Tower, The Intermark, located at Jalan Tun Razak. This strategic move underscored the Bank's continued commitment to growth, innovation, and long-term presence in the country. Designed for a digital-first way of working, the new head office integrates upgraded wireless connectivity and advanced digital conferencing systems. Complemented by collaborative workspaces, the environment empowers teams to move faster, think bigger, and innovate with purpose.

A key highlight of the building is its strong focus on sustainability and responsible practices, which is central to the Bank's identity as an Islamic financial institution guided by Maqasid al-Shariah and the Value-Based Intermediation (VBI) framework. Operating from the LEED Platinum-certified Integra Tower, the Bank demonstrates "best conduct" in environmental stewardship while aligning with national sustainability and climate resilience goals. The use of high-performance energy-efficient systems and smart lighting reduces our environmental footprint, reinforcing the Bank's ethical and long-term value creation approach.

Complementing this, the office also celebrates community and culture through a bespoke mural by local artist Mr. Perol, highlighting the Bank's support for local creative talent. The mural captured alrajhi bank Malaysia's journey, blending its Saudi heritage with its Malaysian roots.

Powering growth through continuous learning

In 2025, alrajhi bank Malaysia continues to grow its people's skills and capabilities in the integration of sustainability into operations to address climate-related risk. Employee training and awareness initiatives include:

- Unlocking Capital for Sustainability 2025
- Capacity Building with Islamic Focus for C-Suites: ESG – Sustainability with Carbon Credit Market Overview
- Sustainability Leadership Program for Financial Institutions
- Valued based Intermediation for Islamic Banks
- Monthly internal sustainability newsletter
- Green activities for employees

Risk management

alrajhi bank Malaysia embeds climate-related considerations within its established enterprise risk management framework, with continued enhancements to strengthen risk identification, assessment, monitoring and mitigation across key risk types. The Bank manages climate-related risks through a range of risk management approaches, including mitigation measures, risk transfer mechanisms where appropriate, and established risk control processes, while exposures may be accepted in line with the Bank's overall risk appetite. Climate-related risks are assessed across operational, market, liquidity and credit risk, and are progressively integrated into business processes, stress testing and decision-making.

Using tools such as the VBIAF sectoral guide, the Bank evaluates both physical risks (e.g. extreme weather impacts) and transition risks (e.g. regulatory and policy changes) across its financing and investment portfolios. The assessment covers key sectors including palm oil, renewable energy, energy efficiency, oil & gas, construction and infrastructure, manufacturing, agriculture, mining and quarrying, road transport, and waste management.

The Bank also leverages Moody's Climate Risk Solutions to quantify climate vulnerabilities and assess their impact under multiple NGFS Phase III-aligned scenarios. This supports robust risk identification, measurement and ongoing monitoring of climate-related exposures, while enhancing governance and oversight practices.

Oversight of climate-related risk management is provided through the Bank's governance structure, namely the Sustainability Committee, Executive Committee (EXCO), and Executive Risk Management Committee (ERMC). These bodies collectively ensure that climate-related risks are effectively identified, managed and monitored in alignment with the Bank's strategy, risk appetite and regulatory expectations.

Risk identification approach

The Bank focuses primarily on credit risk impacts, assessed through forward-looking climate scenarios over a 30-year horizon. It incorporates climate-adjusted metrics such as Probability of Default (PD), Loss Given Default (LGD), and Expected Credit Loss (ECL).

Physical risks are evaluated across major hazard categories, including storms, floods, sea level rise, wildfires, as well as water and heat stress, which may affect asset performance and business operations. The Bank employs a range of quantitative metrics to assess climate risk exposure. These include both financial risk indicators and environmental metrics.

Key climate risk metrics

Risk category	Metrics used
Credit Risk	Climate-adjusted PD, LGD, and ECL
Transition Risk	Sectoral carbon exposure, emission intensity
Physical Risk	Climate hazard scores

These metrics enable the Bank to quantify and monitor the potential financial implications of climate-related risks.

Integration into enterprise risk management

Climate-related risks are fully integrated into the Bank's Enterprise Risk Management framework, ensuring that they are managed alongside traditional financial risks. The Bank follows a structured process involving risk identification, assessment, mitigation, and monitoring, with climate risk treated as a cross-cutting risk driver. The Bank continues to enhance the integration of climate-related considerations into its existing risk frameworks and decision-making processes, including credit assessment and portfolio-level evaluations, where appropriate.

Integration of climate risks across risk types

Operational risk

Climate-driven operational risks are managed through alrajhi bank Malaysia's Operational Risk Management Framework and Business Continuity Management (BCM) practices. Compared to traditional operational risks, which are typically immediate and event-driven, climate risks require long-term, forward-looking assessment and integration into resilience planning and governance processes.

The Bank assesses climate-related operational risks through Business Impact Analysis (BIA), Risk Assessment (RA) and integration into the Risk and Control Self-Assessment (RCSA) framework. Climate-related Key Risk Indicators (KRIs), including operational incidents and third-party resilience, are monitored and reported in line with regulatory expectations.

The Bank's operations have moderate exposure to physical risks, particularly flooding. While alrajhi bank Malaysia's head office and branches are located in urban areas with mitigating infrastructure, disruptions affecting critical third-party service providers and data centres in higher-risk locations could impact connectivity, transaction processing and service delivery. Such disruptions may lead to delayed settlements, operational downtime, and potential legal or reputational consequences. To strengthen resilience, the Bank applies location-based hazard mapping, incorporates findings into BCM processes, and plans to conduct flood scenario simulations to validate recovery time objectives (RTO) and maximum tolerable downtime (MTD).

Operational risks may also arise from reputational damage, regulatory breaches, vendor failures and service disruptions, which could be exacerbated by climate-related events. For example, system outages or service failures may result in customer dissatisfaction, financial claims or increased regulatory scrutiny. These risks are managed through established operational risk controls and governance processes.

For Islamic banking operations, alrajhi bank Malaysia also considers climate-related risks to commodity supply chains underpinning Commodity Murabahah/Tawarruq transactions. Disruptions arising from floods or droughts could affect delivery or ownership transfer, potentially resulting in Shariah non-compliance. Mitigating measures include:

- Engaging brokers with diversified sourcing and contingency arrangements,
- Incorporating alternative commodity arrangements and force majeure clauses, and
- Ongoing oversight by the Shariah governance framework, including the Shariah Function and Board.

To mitigate potential physical damage to premises and operations, alrajhi bank Malaysia implements a combination of preventive and resilience measures, including:

- Location risk assessments and flood risk evaluation for key facilities,
- Installation of protective infrastructure (e.g. flood barriers, elevated equipment),
- Maintenance of backup power systems and disaster recovery sites,
- Enablement of remote working capabilities, and
- Reliance on resilient critical third-party providers.

The Bank also maintains comprehensive takaful coverage to mitigate financial impacts arising from climate-related events.

alrajhi bank Malaysia has implemented a range of mitigation measures through its BCM and operational risk frameworks, including:

- Conducting Business Impact Analysis (BIA) to identify critical functions and vulnerabilities,
- Establishing and regularly updating Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP),
- Enabling alternate operating sites and remote working arrangements,
- Performing regular BCM drills, including planned flood scenario exercises with third-party vendors, and
- Requiring key vendors to maintain robust BCM capabilities and participate in joint testing.

Enhancements have also been made to integrate climate considerations more explicitly, including:

- Incorporation of climate risk into BCM and operational risk frameworks,
- Introduction of climate-related KRIs and stress testing, and
- Strengthening of Shariah governance controls where climate risks may affect product structures.

Beyond direct operational impacts, the Bank recognizes additional risk dimensions associated with climate change, including:

- Conduct risk, arising from inadequate disclosure or misrepresentation of climate-related risks;
- Strategic risk, where failure to adapt products and services may affect competitiveness;
- Third-party risk, due to vendors lacking climate resilience; and
- Data and technology risk, stemming from increased reliance on climate data and models.

These risks are addressed through integration into RCSA processes, BCM testing, vendor due diligence, and strengthened governance and internal controls.

Market risk

Climate-related risks may impact alrajhi bank Malaysia's investment portfolio, primarily comprising sukuk and other financial instruments. Both physical risks (e.g. floods) and transition risks (e.g. regulatory changes, carbon pricing) may affect issuers, particularly in climate-sensitive sectors such as energy, agriculture and infrastructure.

These impacts may manifest through credit spread widening, valuation volatility and downgrade risks. The Bank evaluates such exposures using scenario analysis based on NGFS climate scenarios, supported by macroeconomic assumptions and internal materiality assessments. Stress testing is applied, particularly for traded portfolios, to assess sensitivity to climate-related developments.

Where relevant, the Bank may adjust its investment strategy by reducing exposure to higher-risk sectors and increasing allocation to more resilient and lower-carbon investments, while maintaining prudent diversification.

Liquidity risk

Climate change may influence alrajhi bank Malaysia's liquidity profile over time through both physical and transition channels. Physical events, such as severe flooding, could trigger unexpected deposit withdrawals or drawdowns, while transition dynamics may increase demand for financing as customers fund decarbonization initiatives.

These factors could result in greater volatility in liquidity needs and funding patterns. Alrajhi bank Malaysia manages such risks through its Contingency Funding Plan, which ensures the availability of sufficient liquidity buffers and funding sources under stressed conditions.

Credit risk

Climate-related risks are incorporated into alrajhi bank Malaysia's credit risk management approach. Under long-term climate scenarios, borrowers in climate-sensitive sectors may face increased operating costs, regulatory pressures, and physical disruptions, which could affect creditworthiness and repayment capacity.

The Bank applies scenario analysis (including NGFS scenarios) and sectoral vulnerability assessments to evaluate potential impacts. These approaches also provide consideration of potential climate-related risks arising from customer activities, supported by sectoral assessments and portfolio monitoring practices. Risk mitigation measures include:

- Maintaining limited exposure to carbon-intensive and high-risk sectors while continuing to enhance its approach towards higher-risk exposures, in line with regulatory expectations and internal assessments,
- Incorporating collateral risk considerations, including physical risk exposure (e.g. flood-prone assets),
- Reliance on valuer assessments, frontline due diligence and insurance coverage, and
- Ongoing monitoring of borrower performance and resilience.

At present, alrajhi bank Malaysia's exposure to high climate-sensitive sectors remains limited, supporting a prudent credit risk profile. The Bank assesses the size and scope of climate-related risks through scenario analysis, sectoral exposure reviews and portfolio-level assessments, including consideration of concentration risks and potential financial impacts under stress scenarios. In this context, the Bank plans to enhance its engagement with customers over time to support their transition towards more sustainable and climate-resilient practices where relevant.

Continuous enhancement of climate risk management

The Bank continues to enhance its climate risk management capabilities through:

- Improved risk identification, measurement and scenario analysis,
- Strengthened integration into core risk frameworks and decision-making processes,
- Enhanced client engagement and awareness on climate risks, and
- Ongoing capacity building and development of internal expertise.

These efforts are overseen through the Bank's governance structure to ensure that climate-related risks are managed in a consistent, forward-looking and comprehensive manner, supporting the Bank's long-term resilience.

Scenario analysis and stress testing

Scenario analysis plays a critical role in assessing the resilience of the Bank's portfolio under varying climate pathways and economic conditions. The Bank applies forward-looking scenario analysis to evaluate the potential impacts of both physical and transition risks across sectors, counterparties, and time horizons.

In 2025, the Bank continued its participation in Bank Negara Malaysia's (BNM) Climate Risk Stress Testing (CRST) exercises, which provide a structured, supervisory-driven assessment of climate-related risks. These exercises utilize prescribed scenarios such as Net Zero, Divergent Net Zero, and Nationally Determined Contributions (NDC) to evaluate the potential impact of climate risks on credit risk and financial resilience.

The outcomes of these exercises provide insights into vulnerabilities and sectoral sensitivities under different climate pathways, supporting the Bank's broader understanding of climate-related risk exposures.

The Bank's approach to climate risk management is also consistent with the principles of Maqasid al-Shariah and Value-based Intermediation (VBI). By managing high-carbon sector exposures, supporting clients' transition efforts, and addressing physical climate risks that may affect vulnerable communities, the Bank contributes to the preservation of life, protection of wealth, and safeguarding of the environment.

Metrics and targets

The Bank relies primarily on Moody's Portfolio Profiling Application to assess transition and physical risks across its portfolio. This tool supports efficient portfolio monitoring and facilitates consistent, standardized reporting.

Key metrics

GHG emissions

Scope	Item	Amount
Scope - 1	Mobile Combustion – Fuel Consumption	1,830 liter
	Fire Extinguisher's Combustion – Refilled Quantity	128 kg
	Fugitive Combustion – Refrigerant (Air-Conditioning)	412 kg
Scope - 2	Purchased Electricity - Grid Consumption (NRE)	2,240,110 kWh

Transition risk

The Bank monitors its financing exposure to carbon-intensive industries to evaluate its susceptibility to transition risks. The distribution is outlined below:

Carbon intensity breakdown

High Carbon: approximately 36%

- Mining & Quarrying
- Chemicals & Fertilizers
- Steel & Building Materials
- Heavy Machinery
- Motor Vehicles & Motorcycles
- Construction

Mid Carbon: approximately 39%

- Manufacturing
- Transport, Storage & Logistics
- Real Estate
- Primary Agriculture
- Food Manufacturing
- Textiles & Apparel
- Upstream Steel

Low Carbon: approximately 25%

- Wholesale & Retail (Food/FMCG and General Trade)
- Healthcare & Pharmaceuticals
- Hospitality/Accommodation
- Financial & Business Services
- Operations, Maintenance, Engineering & Professional Services
- Education and Others

Physical risk

alrajhi bank Malaysia assesses its exposure to climate-related physical risks through a dedicated climate risk scorecard. This methodology evaluates facility-level exposure to seven key climate hazards, flooding, heat stress, hurricanes and typhoons, sea level rise, water stress, wildfires, and earthquakes. The assessment incorporates forward-looking projections under the Representative Concentration Pathway (RCP) 4.5 scenario, covering decadal time horizons from 2030 to 2090.

Category	2030	2040	2050	2060	2070	2080	2090
Floods	59	60	59	65	67	67	68
Heat Stress	2	17	47	68	80	90	93
Hurricanes & Typhoons	0	0	0	0	0	0	0
Sea Level Rise	16	16	16	16	16	17	16
Water Stress	28	28	28	27	27	26	26
Wildfires	39	44	50	58	61	62	64
Earthquakes	26	26	26	26	26	26	26

Hazard Methodology: 2023.3
Scenario: RCP4.5

Source of the analysis : Moody's Climate On Demand

The scope of the analysis includes the Bank's headquarters, data centre, and branch network. The RCP 4.5 scenario represents an intermediate climate trajectory in which global radiative forcing stabilizes at approximately 4.5 W/m^2 by 2100, with emissions peaking around 2040 before declining thereafter.

Results indicate that flooding and heat stress are the most material physical risks for alrajhi bank Malaysia over the medium to long term. Flood risk scores remain consistently high across all time horizons, increasing from 59 in 2030 to 68 by 2090. Heat stress shows a significant upward trend, rising sharply from negligible levels in 2030 (score of 2) to very high risk levels by 2090 (score of 93). Wildfire exposure also demonstrates a gradual increase, while water stress and sea level rise remain moderate and relatively stable. Exposure to hurricanes and typhoons is assessed as negligible across all periods, reflecting the geographical context of the Bank's operations.

These findings highlight alrajhi bank Malaysia's growing vulnerability to acute and chronic climate hazards, particularly those related to temperature extremes and flooding. Physical impacts could disrupt operations, damage critical infrastructure, and increase maintenance and insurance costs. Furthermore, indirect impacts arising from disruptions to clients' operations and supply chains may affect credit quality and business continuity.

In addition, failure to adequately anticipate and manage climate-related risks may result in increased regulatory scrutiny and heightened expectations from stakeholders regarding ESG efforts. This could expose the Bank to reputational risks and potential financial implications over time.

Climate-related opportunities

The Bank has implemented internal targets to address both risks and opportunities linked to climate change:

Climate-related targets	Measurement Approach
Investment	Green Sukuk / Total Corporate Sukuk
Socially Responsible Investments	Number of compliant funds
Value-Based Intermediation	Number of initiatives per year
Training	Number of sessions for employees, senior management, and Board
Electricity Consumption	Kilowatt hours
Paper Consumption	A4 paper usage

The Bank will further enhance its approach to identifying and monitoring exposures related to sustainable financing, and may provide expanded disclosures as methodologies and data capabilities continue to develop.

The Bank will continue to review and enhance the targets it monitors over time, taking into consideration evolving business priorities and external developments.

These efforts support the Bank's ongoing approach to monitoring its sustainability performance and maintaining transparent communication with stakeholders.

Assessment methodology

CO_2 emissions & transition risk

Moody's Analytics ESG Score Predictor model is used to estimate greenhouse gas emissions and transition risk metrics at the company level. This model, developed internally by Moody's, leverages emissions data and applies advanced statistical and machine learning techniques.

Emissions estimates are largely based on company-specific attributes such as sector, geographic location, and financial indicators (e.g. total sales and total assets), which reflect the carbon intensity of business activities. Transition risk scores range from 0 to 100, indicating how effectively an organization manages transition risks. Higher scores suggest stronger risk management practices and lower exposure, while lower scores indicate weaker performance in transitioning to a low-carbon economy.

Physical risk scores

Physical risk is assessed based on the geographic location of assets (sub-sovereign or country level). These evaluations are conducted at detailed grid levels to capture exposure to specific climate hazards. Scores range from 0 to 100 and indicate the relative vulnerability of a given location to physical risks compared to a global benchmark, providing granular insight into climate hazard exposure.

The Bank may adopt the following steps in assessing and establishing climate-related targets:

- Review climate-adjusted risk metrics to evaluate incremental impacts across sectors and identify potential financial losses; alternatively, analyze sector-level emissions to prioritize reduction strategies;
- Identify and understand material climate-related risks through materiality assessment;
- Prioritize key risks within core portfolios for targeted action; and
- Ensure alignment of targets with the Bank's overall climate risk and sustainability strategy.

Cautionary statement

This report is furnished for informational purposes based upon data understood to be reliable by alrajhi bank Malaysia as of the date of publication.

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The inclusion of any information within this report shall not be interpreted as an assessment of its materiality or financial impact, whether actual or potential. Unless otherwise indicated, the data presented in this report pertains to the Bank's performance and initiatives during the fiscal year 2025.

alrajhi bank Malaysia expressly disclaims any obligation to revise or update any forward-looking statements made by alrajhi bank Malaysia in this report, other than as expressly required by applicable law.

For comprehensive information regarding alrajhi bank Malaysia, please refer to the official website: www.alrajhibank.com.my.

Glossary

BCM	Business Continuity Management
BCP	Business Continuity Plans
BIA	Business Impact Analysis
BNM	Bank Negara Malaysia
BRMCC	Board Risk Management and Compliance Committee
CCPT	Climate Change and Principle-based Taxonomy
CO2	Carbon Dioxide
CRMSA	Climate Risk Management and Scenario Analysis
CRST	Climate Risk Stress Testing
DRP	Disaster Recovery Plans
ECL	Estimated Credit Loss
ERMC	Executive Risk Management Committee
ESG	Environmental, social, and governance
EXCO	Executive Committee
FMCG	Fast-Moving Consumer Goods
GHG	Greenhouse Gas
KRI	Key Risk Indicator
LEED	Leadership in Energy and Environmental Design
LGD	Loss Given Default

MTD	Maximum Tolerable Downtime
NDC	Nationally Determined Contributions
NGFS	Network for Greening the Financial System
NRE	Non Renewable Energy
NSRF	National Sustainability Reporting Framework
PD	Probability of Default
RA	Risk Assessment
RCP	Representative Concentration Pathway
RCSA	Risk Control Self-Assessment
RTO	Recovery Time Objectives
SDG	Sustainable Development Goals
TCFD	Task Force on Climate-related Financial Disclosures
VBI	Value-based Intermediation
VBIAF	Value-based Intermediation Financing and Investment Impact Assessment Framework

مصرف الراجحي
alrajhi bank

Al Rajhi Banking & Investment Corporation (Malaysia) Bhd

Level 8, Integra Tower, The Intermark,
348 Jalan Tun Razak,
50400, Kuala Lumpur.