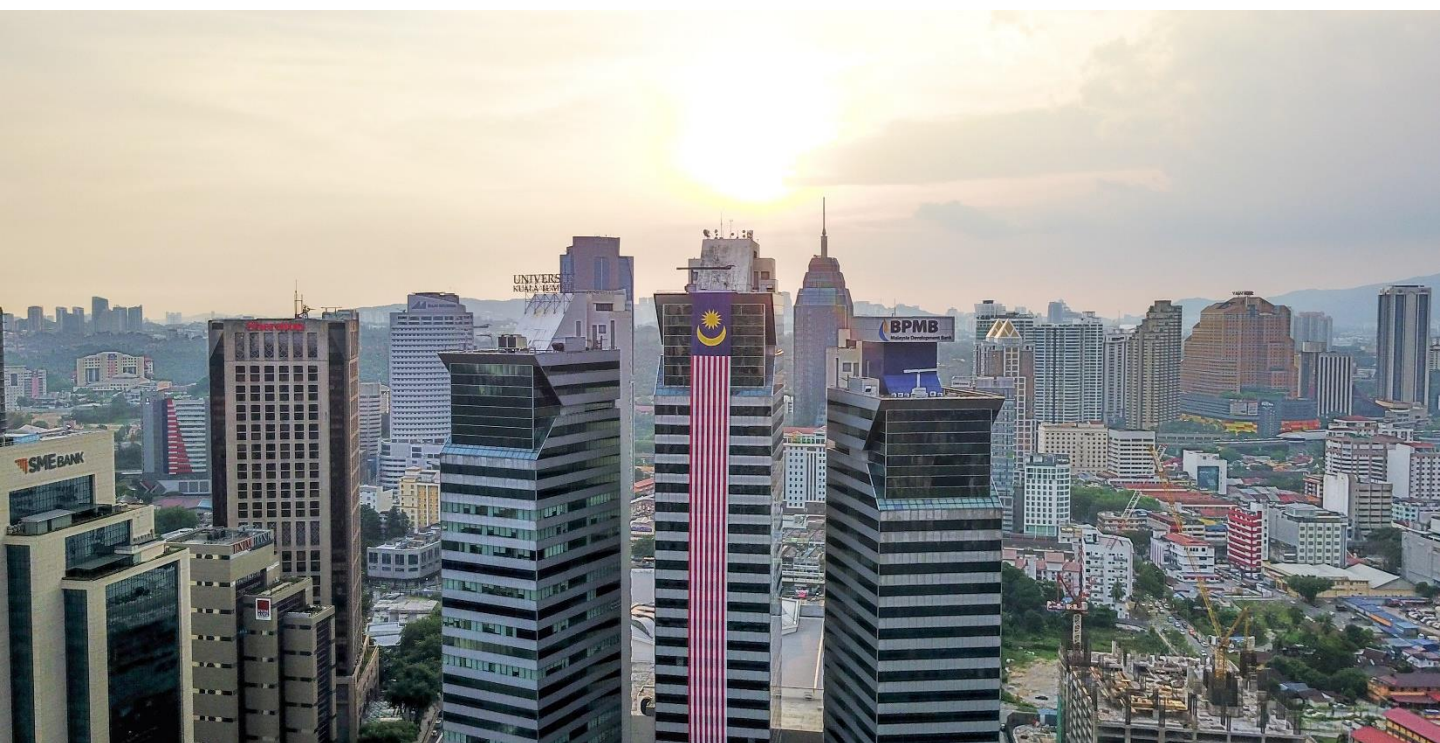




Principles for Responsible Banking

Report on the Implementation of the Principles



PRINCIPLES FOR
RESPONSIBLE
BANKING

Principle 1

Alignment

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

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
1.1 Bank Pembangunan Malaysia Berhad's (BPMB) business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which BPMB has operations or provides products and services	Bank Pembangunan Malaysia Berhad: Who we are - the background Incorporated in 1973, Bank Pembangunan Malaysia Berhad (BPMB) is one of Malaysia's first Development Financial Institutions (DFIs) and is wholly owned by the Malaysian Government through the Minister of Finance (Incorporated). The Bank is mandated to support Malaysia's economic development by providing medium to long-term financing solutions in sectors of strategic importance to the nation. BPMB has historically financed 4 mandated sectors, which are Infrastructure, Maritime, Oil & Gas and High Technology. The Bank has recently become sector agnostic with particular focus on sustainable and impact financing to address social issues whilst promoting socio-economic growth.	Link to BPMB's corporate website www.bpmb.com.my See NOTE 8 ON LOANS, FINANCING & ADVANCES on page 133; PRESIDENT / GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT on page 8 - 13 in BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
1.2 How BPMB has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks	In fulfilling the mandate as a DFI, BPMB has aligned its organisational culture, business processes and talent towards developing a sustainable and inclusive Malaysia. BPMB, in collaboration with the Government Ministries and the World Bank, has developed a framework known as MIND (Measuring Impact on National Development). MIND aims to enhance project evaluation from a credit-centric assessment to a holistic end-to-end assessment that includes reviewing the environmental, social and economic impact of each transaction. The MIND framework will be primarily used to determine the impact and the contribution of the Bank's financing activities towards selected SDGs. Apart from MIND, BPMB had in 2019 established a MYR2.0 billion (equivalent to USD476 million) Sustainable Development Financing Scheme (SDFS) to finance projects that contribute positively to any of the 17 SDG's. In 2021, BPMB had also established the following: ❖ National Development Scheme (NDS) amounting to MYR1.4 billion (equivalent to USD333 million) to support the implementation of the 12th Malaysia Plan (2021-2025) by enabling economic empowerment, environmental sustainability and social re-engineering in Malaysia; ❖ Sustainable Development Sukuk Framework whereby the framework is aligned with the United Nation's SDGs, as well as the Malaysian Government's initiatives on sustainability, digitalization, and technology. The establishment of this Framework reflects BPMB's commitment to boost responsible investments and to promote investments for a sustainable, resilient, and inclusive recovery and growth via the capital markets	See OUR STRATEGIC TRANSFORMATION PLAN on page 18 - 19; WITH THE NATION IN MIND on page 2 - 3 in BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report Link to SUSTAINABLE DEVELOPMENT FINANCING SCHEME SDFS Link to NATIONAL DEVELOPMENT SCHEME NDS Link to SUSTAINABLE DEVELOPMENT SUKUK FRAMEWORK Sukuk

Principle 2

Impact and Target Setting

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

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
2.1 Show that BPMB has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements: i. Scope ii. Scale of exposure iii. Context & relevance iv. Scale & intensity	Impact Assessment on the Economy, Environment and Society. BPMB, as a Development Financial Institution, has adopted a performance framework that <i>inter alia</i> measures non-financial indicators to quantify the socio-economic impact arising from BPMB's operations. The Bank has proven its ability to create jobs through its financing solutions and crowd-in private investment to enhance national development and promote sustainability. BPMB's impact in 2020 are as follows: The Economy ▪ Four (4) projects in undertaken in underserved / unserved areas ▪ Seven (7) projects identified as a national priority areas The Environment ▪ 2.6 million MWh of clean energy generated per year The Society ▪ 3,762 permanent jobs created ▪ Average household income of RM 6,633 based on project location ▪ 277,748 direct beneficiaries per day ▪ Five (5) projects with social, environmental and economic impact indicators (SEI) scores above our internal thresholds ▪ 998 affordable homes / workers' quarters built	See WITH THE NATION IN MIND on page 2 - 3; OUR OPERATING ENVIRONMENT AND OUTLOOK on page 14 - 15; OUR VALUE CREATING BUSINESS MODEL on page 16 - 17; OUR STRATEGIC TRANSFORMATION PLAN on page 18 - 19; NON-FINANCIAL PERFORMANCE on page 28 - 29 in the BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report
CONCLUSION OF THE IMPACT ANALYSIS: Being a developmental bank, BPMB is committed to ensure that the Bank maximises its positive impact to the nation.		

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
2.2 Show that BPMB has set and published a minimum of two Specific, Measurable, Achievable, Relevant and Time-bound (SMART) targets.	Target setting BPMB's Non-Financial Performance Framework is designed to capture BPMB's contributions beyond its financing activities. The Bank measures several indicators and sets the annual targets based on these indicators, which include, but are not limited to: ▪ Financing to unserved and underserved segments, which is measured as the percentage of the financing portfolio dedicated to projects outside of more developed regions in Malaysia (e.g. Kuala Lumpur, Putrajaya, Selangor, Penang and Johor); ▪ Approved amounts for new Green Financing, which is measured based on new financing approvals under the Sustainable Development Financing Scheme or projects approved via the MIND framework; ▪ Increase in client's income, which is measured based on number of approvals given to clients for a moratorium programme announced by the Central Bank of Malaysia; and ▪ Crowd-in Private Investment ratio, which is measured based on total funding from other financial institutions as a ratio of total funding from BPMB in key projects. BPMB's progress against these indicators and our targets are published in our Annual Integrated Report. Other indicators based on BPMB's dependence on government subsidies, reach of BPMB's funds to targeted segments and effective weighted cost of government subsidies are also measured and tracked annually by the Bank.	See NON-FINANCIAL PERFORMANCE on page 28 - 29 in the BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report
Show that BPMB has defined actions and milestones to meet the set targets.	Plans for Target Implementation and Monitoring To help meet its defined targets above, the Bank has implemented the Sustainable Sukuk Framework. This framework requires the proceeds to be used for sustainable financing purposes in line with the SDGs, such as in renewable energy, the circular economy, clean transportation, affordable housing, climate change adoption, etc.	Link to SUSTAINABLE DEVELOPMENT SUKUK FRAMEWORK Sukuk

CONCLUSION OF THE TARGET SETTING:

With the existing indicators in place, BPMB plans to further expand its developmental role.

Principle 3

Clients and Customers

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

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
3.1 Policies and practices BPMB has in place and/or is planning to put in place to promote responsible relationships with its customers.	BPMB recognizes the importance of encouraging sustainable practices among our customers. The Bank had engaged with customers through speaker programmes, networking events, and forums to encourage such practices in line with SDG8 and SDG9. Additionally, BPMB provides the Sustainable Development Financing Scheme (SDFS) to provide financing solutions to customers whose operations contribute positively to any one of the 17 SDGs.	See STAKEHOLDER ENGAGEMENT on page 76 - 77 in BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report
3.2 How BPMB has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities.	BPMB has recently launched our Impact Assessment Framework (also known as MIND) on October 2021. MIND will allow BPMB to not only measure the impact creation from our clients, but to also work with our customers such that their operations contribute positively to the SDGs.	See WITH THE NATION IN MIND on page 2 - 3 in BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report

Principle 4

Stakeholders

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

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
4.1 Which stakeholders (or groups/types of stakeholders) BPMB has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving BPMB's impacts.	For the purpose of implementing the Principles and improving its impact to the nation, BPMB has engaged with its external stakeholders, which include, but are not limited to: i. Regulators (e.g. Central Bank of Malaysia); ii. Key Ministries (e.g. Ministry of Finance, Malaysia); iii. Government Agencies; iv. Investors; v. Strategic Partners; vi. Trade Associations vii. Customers; viii. Employees; and ix. Communities.	See STAKEHOLDER ENGAGEMENT on page 76 - 77 in BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report

Principle 5

Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of Responsible Banking

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
5.1 Relevant governance structures, policies and procedures BPMB has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	The Board of Directors is responsible for setting the policy framework and business strategies to align sustainable business strategies driven by the Management with BPMB's objectives and aspirations, taking into account interests of the stakeholders. BPMB had recently established a Climate Change Risk Framework/Policy. This policy will see BPMB adopting the recommendations set forth by the Taskforce on Climate-related Financial Disclosures (TCFD). Additionally, the recently launched MIND framework will assist BPMB in impact evaluation by requiring the Bank to take a holistic assessment of all new financing applications. This helps to ensure all projects will be in line with increasing positive impact and minimizing negative impacts as guided by the Principles.	See STATEMENT OF CORPORATE GOVERNANCE on page 42 - 59; CLIMATE CHANGE on page 67 - 70; WITH THE NATION IN MIND on page 2 - 3 in BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report
5.2 Initiatives and measures BPMB has implemented or is planning to implement to foster a culture of responsible banking among its employees	BPMB has always strived to promote responsible banking through our Back-to-Basic Principles among our employees. These principles are: ▪ I am worthy of your trust ▪ I will speak and seek the truth ▪ I will seek knowledge and remain relevant ▪ I will not let you down These principles aim to promote a good corporate governance mindset and culture amongst employees that is crucial for responsible banking practices. A BPMB Core Values Programme is currently being planned in 2021 to further inculcate these values as part of BPMB's ethos.	See PRESIDENT / GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT on page 8 - 13 in BPMB's Annual Integrated Report 2020. Link to BPMB 2020 Annual Integrated Report

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
5.3 Show that BPMB has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	BPMB sets annual targets as part of our business plans that are in line with our overall goal of promoting sustainable development in Malaysia. These targets are reviewed and approved by the Bank's Board of Directors as part of an annual requirement to submit a Statement of Corporate Intent to our regulator, the Central Bank of Malaysia. The targets are reviewed on a monthly basis, allowing timely responses and corrective actions to be taken to mitigate risks.	See STATEMENT OF CORPORATE GOVERNANCE on page 42 - 59; STATEMENT OF INTERNAL CONTROL on page 60 - 61 in BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report Link to BOARD CHARTER Board Charter
CONCLUSION ON THE GOVERNANCE STRUCTURE FOR IMPLEMENTATION OF THE PRINCIPLES: BPMB has made significant progress in ensuring a strong corporate governance exist for the implementation of the Principles, including managing significant impacts. Our Monitoring & Evaluation Department is in charge to monitor the impact created using the MIND framework.		

Principle 6

Transparency and Accountability

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

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
6.1 Progress on implementing the Principles for Responsible Banking	During the development of BPMB's MIND framework, the Bank had undertaken an impact analysis. This analysis looked at the effects of the Bank's financing products not just on its customers, but also surrounding communities, employees of the customers and other key stakeholders. Moving forward, BPMB will leverage on the recently launched MIND framework to continuously monitor the impact of the Bank's financing business. Further, a comprehensive strategic review study has been performed on the Bank to help identify appropriate SMART targets for the medium-to-long term. These targets will be established in due course in conjunction with the implementation of the MIND framework.	See WITH THE NATION IN MIND on page 2 - 3 in BPMB's Annual Integrated Report 2020 Link to BPMB 2020 Annual Integrated Report

CONCLUSION ON PROGRESS ON IMPLEMENTING THE PRINCIPLES FOR RESPONSIBLE BANKING: BPMB has made progress over the past 2 years. At present, the Bank's MIND framework will provide the necessary policies and procedures to measure and monitor the Bank's financing impact. Appropriate SMART targets will be identified and set in line with our role as a Development Financial Institution.

Thank You



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