PROGRESSIVE INSURANCE BHD

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT

2025

CONTENT

INTRODUCTION

Progressive Insurance Bhd ("PIB" or "the Company") recognises the growing importance of climate-related considerations in supporting business resilience and long-term sustainability. As a general insurer, The Company continues to strengthen its management of climate-related risks and opportunities while enhancing its governance, risk management, and reporting practices.

This report represents the Company's inaugural climate-related financial disclosure, prepared with reference to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and in support of the regulatory expectations of Bank Negara Malaysia ("BNM").

EXECUTIVE SUMMARY

The Company is pleased to publish its inaugural TCFD Report for the financial year ended 31 December 2025. The report outlines the Company's approach to managing climate-related risks and opportunities, including progress made in implementing its Climate Transition Plan and integrating climate considerations into existing risk management processes.

In preparing this report, the Company referenced the TCFD Application Guide for Malaysian Financial Institutions issued by the Joint Committee on Climate Change ("JC3"). Recognising that climate-related reporting continues to evolve, the Company has adopted a phased approach focused on strengthening governance, improving data quality, enhancing climate risk assessments, and progressively expanding disclosures over time.

ABOUT THE TCFD FRAMEWORK

The TCFD was established by the Financial Stability Board ("FSB") to promote consistent and comparable climate-related financial disclosures. The framework encourages organisations to disclose climate-related risks and opportunities that may affect their operations, strategy, and financial performance. The TCFD framework is structured around four core pillars:

- **Governance** – Oversight and governance of climate-related matters.
- **Strategy** – Actual and potential impacts of climate-related risks and opportunities on the business and strategy.
- **Risk Management** – Processes for identifying, assessing, and managing climate-related risks.
- **Metrics & Targets** – Metrics and targets used to monitor climate-related performance.

FUTURE DIRECTION OF CLIMATE REPORTING

The Company acknowledges the ongoing transition from TCFD-aligned reporting towards the adoption of International Sustainability Standards Board ("ISSB") standards and Malaysia's National Sustainability Reporting Framework ("NSRF").

Moving forward, the Company intends to progressively align its disclosures with **IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information)** and **IFRS S2 (Climate-related Disclosures)**, while continuing to enhance disclosure quality, governance practices, and climate risk management capabilities in line with evolving regulatory expectations.

GOVERNANCE

CLIMATE GOVERNANCE FRAMEWORK

Effective governance remains fundamental to the Company's ability to identify, assess, monitor, and respond to climate-related risks and opportunities in a structured and sustainable manner.

The Board of Directors retains ultimate oversight and accountability for the Company's sustainability agenda, including matters relating to climate-related risks, opportunities, and disclosures. Senior management supports the Board through the implementation of sustainability initiatives, operational controls, and strategic climate-related action plans. To support the management of sustainability matters, the **Climate Change and ESG Committee ("CCESGC")** was established which comprises representatives from various business functions.

BOARD OF DIRECTORS

- Oversees sustainability and climate-related matters
- Reviews climate-related strategies and objectives
- Monitors climate-related risk developments
- Oversees climate-related disclosures and reporting

BOARD RISK MANAGEMENT COMMITTEE ("BRMC")

- Supports the Board in overseeing climate-related risks
- Reviews climate risk management frameworks and controls
- Monitors material climate-related risk exposures
- Recommends risk-related matters to the Board

EXECUTIVE COMMITTEE ("EXCO")

- Implements Board-approved climate-related strategies
- Integrates climate considerations into business operations
- Promotes effective climate risk management practices
- Escalates material climate-related matters to the BRMC and Board

CLIMATE CHANGE AND ESG COMMITTEE ("CCESGC")

- Coordinates sustainability and climate-related initiatives
- Supports implementation of climate-related policies and frameworks
- Monitors climate-related developments and reporting
- Facilitates cross-functional collaboration on sustainability matters

STRATEGY

IDENTIFICATION OF CLIMATE RELATED RISKS AND OPPORTUNITIES

The Company recognises that climate change presents both risks and opportunities that may affect its operations, financial performance, business resilience, and long-term sustainability. To better understand these potential impacts, the Company undertook a climate risk assessment leveraging the Climate Risk Stress Test ("CRST") exercise mandated by BNM in 2024.

Selection of Climate Scenarios and Time Horizons

In line with BNM's CRST methodology, the Company assessed climate-related risks using climate scenarios developed by the Network for Greening the Financial System ("NGFS"), namely:

- Net Zero 2050 ("NZ2050"): Orderly Transition Scenario
- Divergent Net Zero 2050 ("DNZ2050"): Disorderly Transition Scenario
- Nationally Determined Contributions ("NDCs"): Hot House World Scenario

In addition, the Company assessed the impact of a severe flood event based on a 1-in-200-year return period flood scenario. The assessment considered short-term, medium-term and long-term time horizons extending to 2050.

Assessment of Climate-related Risk Drivers

The Company assessed the potential impacts of climate-related physical and transition risk drivers on its business operations, underwriting activities, investment portfolio and overall financial resilience. Consideration was given to evolving regulatory requirements, market developments, technological advancements, stakeholder expectations and changing climate conditions.

Identification of Climate-related Risks and Opportunities

Using the CRST framework and internal risk assessment processes, the Company identified key climate-related risks and opportunities that may affect the Company. The assessment considered physical risks arising from acute and chronic climate events, as well as transition risks associated with policy, legal, market, technology and reputational developments.

Climate-Related Scenario Analysis

The identified climate-related risks were assessed under the selected NGFS scenarios and severe flood event assumptions to evaluate potential impacts on the Company’s Insurance Risk, Market Risk, Credit Risk and Liquidity Risk profiles. The scenario analysis has provided valuable insights into the Company’s climate resilience and supports the Company’s ongoing efforts to strengthen climate risk management, enhance decision-making processes and implement initiatives under its Climate Transition Plan.

ASSESSING CLIMATE RELATED RISKS AND OPPORTUNITIES

The table below summarises the key climate-related risks identified through the Company's climate risk assessment and their potential impacts across different time horizons. Based on the CRST 2024 results, the Company remains resilient under the assessed climate scenarios. The assessment identified Insurance Risk and Market Risk as the more significant climate-related risk exposures and has informed the implementation of the Company's Climate Transition Plan and ongoing enhancement of climate risk management capabilities.

Climate Risk Type	Business Risk Category	Climate Risk Description	Short-term (2025-26)	Medium -term (2030)	Long-term (2050)
Physical	Insurance Risk (1-in-200-year flood event)	Increased claims arising from severe flood and extreme weather events.	Low	Medium	Medium
	Insurance Risk (NZ, DNZ, NDC)	Changes in weather patterns and climate conditions affecting underwriting performance and claims trends.	Low	Medium	Medium
Transition	Market Risk	Impairment of investment assets arising from climate related impacts	Low	Medium	High
	Regulatory Risk	Evolving climate-related regulatory, reporting and disclosure requirements.	High	Medium	Low
	Technology Risk	Costs associated with enhancing climate-related data, systems and risk management capabilities.	Medium	Medium	Low
	Reputational Risk	Increasing stakeholder expectations regarding sustainability performance and climate-related disclosures.	Medium	Medium	High

Table 1: Summary of Key Climate-Related Risks and Potential Impacts Across Different Time Horizons

RESPONSE TO CLIMATE-RELATED RISKS AND OPPORTUNITIES

In response to the increasing frequency of climate-related events, evolving regulatory requirements, and the global transition towards a lower-carbon economy, the Company has developed a **Climate Transition Plan** (“The Plan”) to strengthen organisational resilience and support the effective management of climate-related risks and opportunities.

The Plan serves as the Company’s strategic roadmap for integrating climate-related considerations into decision-making processes and supporting the Comapany’s transition towards a more climate-resilient and sustainable business model. The Plan is informed by Malaysia's commitments under the Paris Agreement, the National Energy Transition Roadmap ("NETR"), evolving regulatory requirements, increasing stakeholder expectations, and the growing impacts of climate-related events.

The Plan is structured around four strategic pillars:

- **Climate-Informed Decision Making:** Embedding climate-related considerations into business and operational decision-making processes.
- **Customer-Focused Climate Risk Solutions:** Strengthening understanding of emerging climate-related risks and opportunities to better support customers.
- **Stakeholder Engagement and Awareness:** Enhancing climate awareness and sustainability-related competencies among employees and stakeholders.
- **Transparent Governance and Disclosure:** Strengthening climate-related governance, risk management, monitoring, and disclosures.

Figure 1: Four Key Pillars of the Climate Transition Plan

RISK MANAGEMENT

MANAGING CLIMATE RELATED MATTERS

The Risk Management Framework ("RMF") forms the backbone of the Company's overall risk governance and management practices. As climate-related risks continue to evolve and influence the operating landscape, the Company has embedded climate risk considerations into its existing RMF to ensure that emerging environmental risks are appropriately identified, assessed, and managed. These risks may give rise to broader financial, operational, and strategic implications that could affect the Company's long-term resilience and business objectives.

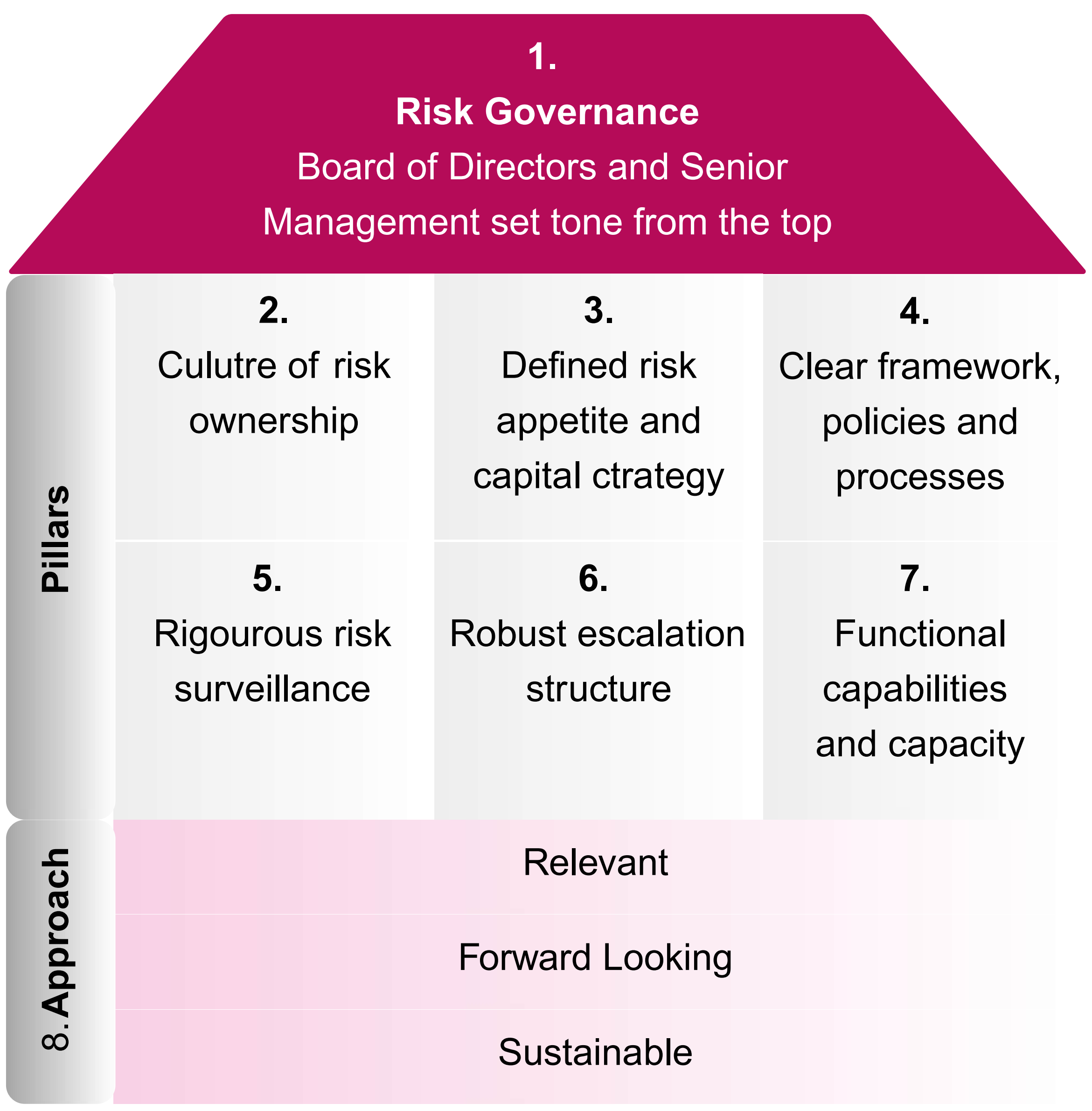

Figure 2: The Company's Risk Management Framework

OUR RISK MANAGEMENT PROCESS

The Company adopts an integrated approach to managing climate-related risks, which is embedded within the Company's broader risk management framework. Climate-related risks are identified, assessed, monitored, reported, and managed through established governance and risk management processes to support informed decision-making and organisational resilience.

Climate-related risk assessments are conducted using both **top-down** and **bottom-up** approaches. The assessment considers factors such as geographic exposures, sectoral concentrations, counterparties, investments, and insurance portfolios to evaluate potential vulnerabilities arising from physical and transition risks. The outcomes of these assessments support the prioritisation of climate-related risks and the development of appropriate risk mitigation measures.

Climate-related risks are monitored through a range of qualitative and quantitative indicators, including GHG emissions, climate-related exposure assessments, and Climate Change and Principles-Based Taxonomy ("CCPT") classifications which is reported periodically through internal risk reporting channels and escalated to Senior Management and the Board where appropriate.

RISK GOVERNANCE: 3 LINES OF DEFENCE

1st Line Risk Owners (Business Units and Branches)	**2nd Line** Risk Management and Compliance	**3rd Line** Internal Audit

TRANSMISSION OF CLIMATE-RELATED RISK INTO OUR EXISTING TYPES OF RISKS

Climate-related risks may affect existing financial risk categories and are considered as underlying drivers of these risks. Climate risk drivers are generally categorised into transition, physical, and liability risks. Transmission channels describe the pathways through which climate risk drivers may affect the Company directly, as well as indirectly through its counterparties, assets, and the broader economy in which it operates. These transmission channels are categorised into microeconomic and macroeconomic channels.

CLIMATE RISKS

Transition Risks
- Policy and legal (e.g. Net Zero Policy, energy transition)
- Technology (advancement to transition to lower-carbon)
- Market
- Reputation

Physical Risks
- Acute (e.g. flood, storm, landslide)
- Chronic (e.g. sea level/ temperature rise)

Liability Risks
- Stakeholder/ penalty litigations (e.g. legal suit on lack of climate disclosure
- Insurance claims

TRANSMISSION CHANNELS

Macroeconomic
Climate risk driver impact on PIB and households

PIB
- Property damage and business disruption from severe weather
- Stranded assets and new capital expenditure due to transition
- Changing demand and costs
- Legal liability (from fialure to mitigate or adapt)

Households
- Loss of income (from weather disruption and health impacts, labour market frictions)
- Restrictions (from low carbon policies) increasing costs and affecting valuations

Macroeconomic
Climate risk driver impact on macroeconomy

- Capital depreciation and increased investment
- Shifts in prices (from structural changes, supply shocks)
- Productivity chnages (from severe heat, diversion of investment to mitigatuin and adaptaion, higher risk aversion)
- Labour market frictions (from physical and transition risks)
- Socioecnomic changes (from changing consumption patterns, migration. conflict)
- Other impact on onternational trade, government revenues, fiscal space, output, interest rates and exchange rates

EXISTING RISKS

Credit Risks
- Default by corporates and households
- Collateral depreciation

Market Risks
- Losses from repricing of financial and non-financial assets (e.g., equities, fixed income etc.)

Liability Risks
- Increase demand for liquidity
- Less sources of stable funding

Operational Risks
- Supply chain disruption
- Forced facility closure

Insurance Risks
- Increase in insurance claims
- Increase in insurance gap

Financial system contagion

Climate and economy feedback effects

Economy and financial system feedback effects

Figure 4: Illustration on the impact of climate risk drivers on the Company through existing risk categories of credit, market, liquidity, operational and insurance risks

METRICS & TARGET

GHG EMISSIONS

During the financial year, the Company commenced the measurement and reporting of Scope 1, Scope 2, and selected Scope 3 greenhouse gas ("GHG") emissions, establishing its baseline emissions inventory.

As the Company is in the early stages of its climate transition journey, formal emissions reduction targets have not yet been established. The Company will continue to monitor and report GHG emissions annually to build a robust emissions dataset and assess emissions trends over time. As data maturity improves, the Company intends to evaluate and establish appropriate climate-related metrics and targets aligned with its Climate Transition Plan, business strategy, and regulatory expectations.

GHG emissions are calculated in accordance with the GHG Protocol standards and guidance, covering activities across the Company's headquarters and branch offices nationwide.

For FY2025, the Company reported:

- **Scope 1 (Direct Emissions):** Mobile fuel combustion from company-owned vehicles using the fuel-based method.
- **Scope 2 (Indirect Emissions):** Purchased electricity consumption using the location-based method.
- **Scope 3 (Other Indirect Emissions):**
    - Category 6 – Business Travel: Work-related travel using third-party transport (excluding bus and rail), calculated using the distance-based method.
    - Category 7 – Employee Commuting: Employee travel to and from work, supported by a company-wide commuting survey conducted in December 2025 and calculated using the distance-based method.

2025 GHG DATA TABLE

GHG Emissions	(in KgCO2e)
Scope 1: Direct Emissions	
Owned Vehicles	11,098
Scope 2: Indirect Emissions	
Purchased Electricity	170,159
Total Scope 1 & 2:	**181,257**
Scope 3: Other Indirect Emissions	
Category 6: Business Travel	1,109.55
Category 7: Employee Commuting	197,324.57
Total Scope 3:	**198,434.12**
Total GHG Emissions:	**379,691.12**
KgCOe2 Per Employee:* **Based on the average monthly employee of 191.*	1,987.91

GLOSSARY

A complied list of relevant term acronyms used throughout the report.

BNM	Bank Negara Malaysia
CCPT	Climate Change and Principles-Based Taxonomy
CRMSA	Climate Risk Management & Scenario Analysis
CRST	Climate Risk Stress Testing
CCESGC	Climate Change and ESG Commitee
DNZ	Divergent Net Zero
ESG	Environmental, Social, and Governance
FSB	Financial Stability Board
GHG	Greenhouse Gas
IFRS	International Financial Reporting Standard
ISSB	International Sustainability Standards Board
JC3	Joint Committee on Climate Change

kgCO2e	Kilogram of Carbon Dioxide Equivalent
km	Kilometer
kWh	Kilowatt Hour
NDC	Nationally Determined Contributions
NETR	National Energy Transition Roadmap
NGFS	Network for Greening the Financial System
NSRF	National Sustainability Reporting Framework
NZ	Net Zero
RMF	Risk Management Framework
TCFD	Taskforce on Climate-Related Financial Disclosures

CAUTIONARY STATEMENT

This report includes forward-looking statements relating to the Company's climate-related strategies, priorities, targets, ambitions, and expected future developments.

These statements are based on assumptions, estimates, judgments, and information available at the reporting date. Given the evolving nature of climate-related risks, regulatory requirements, market dynamics, and data availability, actual results and outcomes may differ materially from those expressed or implied in this report.

Variation in Reporting Standards: Climate-related reporting frameworks and disclosure standards continue to evolve and may not yet be fully harmonised or comparable across industries, jurisdictions, and markets. In addition, new methodologies and reporting requirements for climate-related metrics are expected to continue emerging over time.

Data Availability and Quality: Climate-related disclosures remain subject to limitations associated with the availability, accuracy, completeness, verifiability, and timeliness of data. Certain disclosures may also be affected by data gaps and the Company's ability to collect, process, and validate relevant information within reporting timelines. Nevertheless, the Company anticipates progressive improvements in data quality and coverage as reporting practices mature and stakeholders' disclosure expectations continue to develop.

Evolving Methodologies and Assumptions: The methodologies, models, assumptions, and approaches applied by the Company in developing its climate-related strategies, assessments, and targets may continue to evolve in line with advancements in market practices, regulatory expectations, scientific developments, and industry guidance, where applicable.

External Assurance: The information contained in this report has not been subject to independent external assurance, verification, or audit. The Company intends to continue strengthening its climate-related data management and reporting processes as its climate reporting capabilities mature over time.


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