

# Second-Party Opinion

## CIMB SDGs Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the CIMB SDGs Bond Framework is credible and impactful, and aligns with the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines 2018 and ASEAN Sustainability Bond Standards. This assessment is based on the following:

<b>Evaluation date</b>	9 September, 2019
<b>Issuer Location</b>	Kuala Lumpur, Malaysia



**USE OF PROCEEDS** The eligible categories for the use of proceeds – (i) Access to Essential Services, (ii) Gender Equality, (iii) Sustainable water and wastewater management, (iv) Affordable Basic Infrastructure, (v) Renewable Energy, (vi) Energy Efficiency, (vii) Employment generation including through the potential effect of small and medium-sized enterprises (SME) financing and microfinance, (viii) Clean Transportation, (ix) Green Buildings, (x) Affordable Housing, (xi) Climate Change Adaptation, (xii) Pollution Prevention and Control, (xiii) Terrestrial and aquatic biodiversity conservation, and (xiv) Environmentally sustainable management of living natural resources and land use – are aligned with those recognized by the Green Bond Principles and the Social Bond Principles. Sustainalytics considers the eligible categories to have positive environmental and social impacts while advancing the UN Sustainable Development Goals (SDGs).

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**PROJECT EVALUATION / SELECTION** CIMB's banking teams and the Group Sustainability will oversee the initial project selection and evaluation process. Final validation will be conducted by CIMB's Group Sustainability Council, which is comprised of cross-functional representatives from the group's Wholesale Banking, Commercial Banking, Consumer Banking, Islamic Banking, Risk and Strategy & Design teams, among others. This process is aligned with market practices.



**MANAGEMENT OF PROCEEDS** CIMB will track the use of proceeds using a portfolio of eligible assets, which is monitored by the company's internal information systems. Pending full allocation, the unallocated proceeds will be invested in cash, cash equivalents and/or invest in other liquid marketable instruments according to local liquidity management policies. This process is aligned with market practices.



**REPORTING** CIMB will provide an annual allocation report on company's website as a separate SDGs bond report, including aggregate amounts of funds and the remaining balance on unallocated proceeds. Where feasible, CIMB commits to disclose data on environmental and social impact metrics. Sustainalytics views CIMB's allocation and impact reporting as aligned with current market practices.

### Alignment with the ASEAN Sustainability Bond Standards

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible sustainability bond within Southeast Asia. Sustainalytics is of the opinion that the green categories and social categories under the CIMB SDGs Bond Framework align with the ASEAN Sustainability Bond Standards.

## Introduction

CIMB Bank Berhad (“CIMB”, “the bank” or “the company”), is 99.99% owned by CIMB Group Sdn Bhd, which is a wholly owned subsidiary of CIMB Group Holdings Berhad. The bank operates in the consumer banking segment through providing credit cards, mortgages, auto loans, business banking services for SMEs and mid-sized corporate customers, insurance, as well as investment and wealth management services. CIMB is headquartered in Kuala Lumpur and mainly operates in ASEAN.

CIMB has developed the CIMB SDGs Bond Framework (the “Framework”) under which it intends to issue SDGs bonds and use the proceeds to finance and refinance, in whole or in part, new or existing assets, businesses, projects and/or products. The CIMB SDGs Bond Framework sets out five social and nine green eligible categories for inclusion in its future SDGs bond issuances:

### Social:

1. Access to Essential Services
2. Employment generation including through the potential effect of SME financing and microfinance
3. Gender Equality
4. Affordable Basic Infrastructure
5. Affordable Housing

### Green:

1. Renewable Energy
2. Energy Efficiency
3. Clean Transportation
4. Green Buildings
5. Climate Change Adaptation
6. Pollution Prevention and Control
7. Environmentally sustainable management of living natural resources and land use
8. Terrestrial and aquatic biodiversity conservation
9. Sustainable water and wastewater management

CIMB engaged Sustainalytics to review the CIMB SDGs Bond Framework, dated August 2019, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2018<sup>1</sup> and ASEAN Sustainability Bond Standards. This Framework has been published in a separate document.<sup>2</sup>

As part of this engagement, Sustainalytics held conversations with various members of CIMB’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of CIMB SDGs bond. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the CIMB SDGs Bond Framework and should be read in conjunction with that Framework.

<sup>1</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>2</sup> The CIMB SDGs Bond Framework is available on CIMB’s website at: [www.cimb.com](http://www.cimb.com)

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the CIMB SDGs Bond Framework

#### Summary

Sustainalytics is of the opinion that the CIMB SDGs Bond Framework is credible and impactful, and aligns with the four core components of the Green Bond Principles 2018 (GBP), Social Bond Principles 2018 (SBP), Sustainability Bond Guidelines 2018 (SBG) and ASEAN Sustainability Bond Standards. Sustainalytics highlights the following elements of CIMB's SDGs Bond Framework:

- Use of Proceeds:
  - The use of proceeds of the CIMB SDGs Bond Framework aligns with those recognized as impactful by the SBG. Sustainalytics believes that CIMB's use of proceeds will contribute to fostering activities and technologies that reduce greenhouse gas (GHG) emissions, promote sustainable resource management and enhance financial inclusion.
  - CIMB intends to use part of the proceeds for project-based lending and part for general purpose loans for pure play businesses that derive 80% of revenues from activities identified in the eligible categories. Sustainalytics notes that the GBP, SBP, and SBG favor project-based lending, and that there is in general less transparency associated with reporting on non-project-based financing. Where proceeds are used for general purpose loans, Sustainalytics recommends CIMB to track and disclose the portion of bond proceeds allocated to general-purpose loans and to provide detailed impact reporting on the companies or types of business financed.
  - CIMB does not disclose a look-back period for refinancing, but intends to only finance the current book value of outstanding loans. Sustainalytics recommends that CIMB report on the amount of proceeds used for financing vs refinancing in its annual allocation report. Regarding green assets and activities, CIMB intends to invest in energy efficiency in buildings, renewable energy, low-carbon transportation and related infrastructure, water treatment and saving technology, sustainable agriculture and fishery, waste management that diverts waste from landfill and increases recycling, sustainable products, natural disaster prevention (flood control and flooding mitigation systems, disaster preparedness measures) and climate change adaptation to buildings (e.g. permeable pavements to reduce run-off) and in agriculture (e.g. drip irrigation), nature conservation, as well as education programmes to increase awareness of climate change and responsible land use and sustainable forestry.
  - The education programmes on climate change and responsible land use and sustainable forestry include topics such as risks and opportunities of climate change, steps to mitigate GHGs or adapt to climate change-related impacts such as floods as well as technology, products and services that seek to curb climate change.
  - Regarding renewable energy and low-carbon transport, Sustainalytics positively views that CIMB limits the financing of biomass and geothermal projects to those emitting less than 100g CO<sub>2</sub>e/kWh; grid expansion/development projects to those carrying a minimum of 85% renewable energy; the manufacture and/or purchase of electric, fuel cell or hybrid passenger vehicles to those emitting less than 75g CO<sub>2</sub>/passenger-km; and landfill activities to the financing of landfill gas capture only. Sustainalytics notes positively that biomass for energy is limited to waste products or by-products from forests certified under the Forest Stewardship Council (FSC), the Malaysian Timber Certification Council (MTCC) or the Programme for Endorsement of Forest Certification Schemes (PEFC).
  - CIMB commits that energy efficiency improvement in buildings will have a minimum of 15% energy efficiency improvement. Sustainalytics views positively the implementation of a threshold and encourages CIMB to strive, where possible to encourage and finance projects with energy efficiency improvements in buildings that go beyond 15%.
  - CIMB uses recognized third-party certification standards for green buildings, sustainable agriculture and fishery, i.e. GBI Gold or above, LEED Gold or above, and BREEAM Excellent or

above, as well as the Forest Stewardship Council (FSC)<sup>3</sup>, myOrganic, Rainforest Alliance, Marine Stewardship Council (MSC) and Aqua Stewardship Council (ASC) certification. Sustainalytics recommends that CIMB to limit financing to ASC-certified operations without a deviation from the standard (See Appendix 1 - 4 for additional details).

- CIMB intends to finance the manufacture of recyclable or renewable substitutes for single-use plastic such as wood and bamboo as well as research and development in the area of circular economy, including research on the sources and impacts of microplastics, such as their effects on the environment and health, innovation on materials that fully biodegrade in seawater and freshwater and are harmless for the environment and ecosystems, as well as research into waste to energy. In addition, CIMB intends to finance manufacturing and/or distribution of products or technologies to increase uptake of renewable energy, increase energy efficiency or address energy loss reduction, including biomass combustion, solar thermal systems, LED lights and energy efficient pumps. Given that these examples are not extensive, Sustainalytics recommends CIMB to disclose on issuance or in the annual reporting the projects financed.
- Regarding social assets and activities CIMB intends to use some proceeds to finance loans to micro, small and medium-sized enterprises (MSMEs) (as defined by the Central Bank of Malaysia)<sup>4</sup> and Start-ups,<sup>5</sup> as well as microfinancing schemes to low-income populations. CIMB also intends to finance other assets and activities including those particularly targeting women-led businesses, public/free/subsidized education services and facilities, education loans, transport, water and communication infrastructure, development and upgrade of mass transit systems, affordable housing, and free/subsidized healthcare services.
- Sustainalytics notes that mass transit includes electrified as well as non-electrified buses, metros and subways. Sustainalytics considers the financing of mass transit to be able to reduce GHGs from transportation but considers the lack of a threshold for GHG emissions to be a limitation of the framework.
- Sustainalytics notes that CIMB intends to finance water supply and distribution infrastructure and/or networks that increase household or industrial access to water. Sustainalytics acknowledges that some water infrastructure projects include infrastructure connected to households as well as industry and that a separation in access to households may not always be feasible but encourages CIMB, where possible, to favor household access and avoid industries with negative environmental impact.
- Sustainalytics positively notes CIMB's targeted approach for women-focused empowerment activities, loans for women and women-led MSMEs, defined as business with at least 51% ownership by a woman or by women, a woman as CEO or President, at least 51% female top management (i.e. C-suite), or 30% of the board of directors are made up of women.
- Sustainalytics also views positively that CIMB further limits start-ups and MSMEs to those that are operating in sectors or activities that contribute to other SDGs in the Framework, and/or benefit low-income populations or areas, in terms of employment and expanded access to basic needs such as food, healthcare and education. In addition, CIMB sets further conditions for microfinancing schemes and institutions to target low-income population<sup>6</sup> and to provide accessible and reasonable interest rates, consultation and training support, or have flexible terms for repayment.
- Sustainalytics notes that CIMB intends to invest in the acquisition, development, operation and/or maintenance of communication infrastructure and network with the intention to increase affordable internet coverage and speed and/or mobile phone usage. While Sustainalytics acknowledges the importance of communication infrastructure, Sustainalytics also notes that establishing communication infrastructure can increase energy use. Therefore, Sustainalytics encourages CIMB to transparently disclose the projects financed and the impact achieved in its annual reporting.

<sup>3</sup> The WWF considers the Forest Stewardship Council (FSC) to be the most credible certification system to ensure environmentally responsible, socially beneficial and economically viable management of forests in the industry.

[http://wwf.panda.org/our\\_work/forests/forest\\_sector\\_transformation2/forest\\_certification/](http://wwf.panda.org/our_work/forests/forest_sector_transformation2/forest_certification/)

<sup>4</sup> MSME's are defined by the Central Bank of Malaysia as follows: Manufacturing: Sales turnover not exceeding RM50 million OR full-time employees not exceeding 200 workers; and Services and other sectors: Sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 workers

<sup>5</sup> Start-ups are defined as businesses that are less than 6 months in operation by SME Corporation Malaysia

<sup>6</sup> Low-income populations are defined as bottom 40% of households with monthly income of RM3,900 and below ("B40") or individuals who are earning RM2,700 per month or lower

- Sustainalytics further highlights CIMB's targeted approach limiting financing to:
  - Public and/or quasi-governmental healthcare facilities that offer free/subsidized healthcare services primarily to low-income populations or underserved communities in rural areas;
  - Educational loans with reasonable rates for low-income populations and/or women. Sustainalytics encourages CIMB to disclose a definition of reasonable interest rate;
  - Development of roads in areas that lack connectivity or infrastructure;
  - Build and purchase of affordable housing with a price value of RM300,000 or below for populations with a monthly household income of not more than RM4,360 (see impact section).
- Project Evaluation and Selection:
  - According to CIMB's four-step project evaluation and selection process, the banking teams and Group Sustainability undergo an initial project selection and evaluation process. CIMB's Group Sustainability Council (GSC), which is chaired by the Group CEO and comprised of representatives from the group's Wholesale Banking, Commercial Banking, Consumer Banking, Islamic Banking, Risk and Strategy & Design teams then conducts the final validation based on the eligibility criteria and impact of the proposed assets, projects and/or products. Sustainalytics views CIMB's project evaluation and selection process as aligned with market practices.
- Management of Proceeds:
  - CIMB SDGs Bond proceeds will be managed by the Group Sustainability, recorded through a portfolio of eligible assets and monitored via the company's internal information systems. Pending full allocation, the unallocated proceeds will be invested in cash, cash equivalents and/or invest in other liquid marketable instruments according to local liquidity management guidelines. This process is aligned with market practices.
- Reporting:
  - CIMB commits to provide an annual allocation report, which will be made available to investors annually on the company's website as a separate SDGs bond report. The allocation report will include: (i) aggregate amounts of funds with a summary on the types of assets, projects and products, and (ii) the remaining balance on unallocated proceeds. In addition, CIMB intends to disclose, where feasible, impact indicators such as number of bottom 40 (B40) recipients financed, healthcare facilities built/upgraded, startups and MSMEs financed, as well as tons of CO<sub>2</sub> avoided. Sustainalytics considers CIMB's allocation and impact reporting practices to be aligned with current market practices.

#### **Alignment with GBP, SBP, SBG and ASEAN Sustainability Bond Standards**

Sustainalytics has determined that the CIMB's SDGs bond proceeds/transactions align to the four core components of the GBP, SBP, SBG, and the ASEAN Green, Social and Sustainability Bond Standards. For detailed information please refer to Appendix 5 and 6: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## **Section 2: Sustainability Performance and Strategy of the Issuer**

### **Contribution of Framework to Issuer's sustainability performance and strategy**

CIMB has integrated sustainability considerations into its business strategy, *FORWARD23*, and implemented a sustainability roadmap. The bank has committed to promote sustainable supply chain practices, prioritize environmental and social considerations in lending activities, contribute to national and global climate targets, integrate underserved and disadvantaged groups into the banking system, as well as enhancing health, safety and well-being programmes through the following efforts:

- In 2018, CIMB identified sustainability as one of the five key pillars of its business strategy.<sup>7</sup> In order to formulate the bank's sustainability strategies and oversee the risk profile of its operations, CIMB aligned its sustainability strategy with the SDGs and key national priorities.<sup>8</sup>
- In 2018, CIMB integrated GHG considerations into its operations to measure, disclose and mitigate emissions over the next 3-5 years. In accordance with the approach, CIMB reduced its direct emissions from the combustion of diesel fuel by 35%, and indirect emissions from the consumption of purchased electricity by 2.18% in 2018 against 2017 baseline.<sup>9</sup>
- CIMB is one of the founding members of the United Nations Environment Programme (UNEP FI) and listed on 2018 Thompson Reuters D&I Index Ranking that ranks the top 100 most diverse and inclusive organizations globally.<sup>10</sup>
- CIMB begins from its own operations to carry the company's social development efforts into effect. CIMB's Workplace Wellness programme provides several initiatives to the company's employees, such as (i) 0% interest housing loans to employees earning less than RM3,500 per month, (ii) financial assistance for single parents and employees with special needs children, and (iii) one month paid leave to contribute to social and environmental causes.<sup>11</sup>

Based on CIMB's sustainability practices, strategy, and initiatives, Sustainalytics believes that CIMB SDGs Bond Framework is aligned with its overall sustainability efforts and that the eligible projects will help the company advance its sustainability strategy.

#### Well positioned to address common environmental and social risks associated with the projects

While the eligible categories are recognized as impactful by the GBP, SBP, SBG, Sustainalytics recognizes that the eligible categories have potential environmental and social risks such as workers' health and safety, community relations, biodiversity and ecological risks related to the construction of large-scale infrastructure and land use change. Moreover, social projects in general can increase inequality if not targeted well at the relevant population. Sustainalytics highlights the following measures that CIMB has taken to mitigate related risks.

- According to the Malaysia's Environmental Quality Act, an Environmental Impact Assessment (EIA) is required for prescribed activities that are associated with agriculture, drainage and irrigation, fisheries, forestry, housing industry, infrastructure, power generation and transmission, transportation, waste treatment and disposal and water supply.<sup>12</sup> The EIA guides the site selection process based on key metrics such as buffers, air pollution, proximity, water pollution, geology/hydrology, risk of toxic clouds, waste disposal, social/cultural, access, noise, land value and ecology. During projects execution, mitigation measures and Environmental Management Planning (EMP) must be implemented.<sup>13</sup> Furthermore, some of the prescribed activities with high sensitivity and significant environmental impact are required to conduct the detailed EIA and involve public participation.
- Based on a materiality assessment with stakeholder engagement,<sup>14</sup> CIMB revised its Sustainability Risk Management Framework and adopted the Group Sustainable Financing Policy as a guidance on the mitigation of environmental and social risks in lending decisions.<sup>15</sup> According to the Group Sustainable Financing Policy, sustainability due diligence is required for the bank's financing facilities with non-individual borrowers. In case of involvement in high sustainability risk sectors, CIMB obliges its customers to follow an enhanced sustainability due diligence.
- In 2018, CIMB conducted an assessment to board members and senior management to ensure complete oversight on the company's Risk Management Process, particularly in the areas of compliance, enterprise risk management, accounting and audit. Furthermore, CIMB's Risk Management Process is aligned with international standards such as Global Reporting Initiative (GRI).<sup>16</sup>

<sup>7</sup> CIMB Sustainability Report 2018 pg. 4 [https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18\\_SustainabilityReport.pdf](https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18_SustainabilityReport.pdf)

<sup>8</sup> CIMB Sustainability Report 2018 pg. 8 [https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18\\_SustainabilityReport.pdf](https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18_SustainabilityReport.pdf)

<sup>9</sup> CIMB Sustainability Report 2018 pg. 67 [https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18\\_SustainabilityReport.pdf](https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18_SustainabilityReport.pdf)

<sup>10</sup> CIMB Sustainability Report 2018 pg. 16 [https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18\\_SustainabilityReport.pdf](https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18_SustainabilityReport.pdf)

<sup>11</sup> CIMB Sustainability Report 2018 pg. 80 [https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18\\_SustainabilityReport.pdf](https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18_SustainabilityReport.pdf)

<sup>12</sup> Environmental Requirements for the EIA of Malaysia available at: <http://www.doe.gov.my/eia/wp-content/uploads/2012/03/A-Guide-For-Investors1.pdf>

<sup>13</sup> Environmental Impact Assessment in Malaysia available at: <http://www.doe.gov.my/eia/wp-content/uploads/2013/06/EIA-Procedure-and-Requirements-in-Malaysia.pdf>

<sup>14</sup> CIMB Sustainability Report 2018 pg. 12 [https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18\\_SustainabilityReport.pdf](https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18_SustainabilityReport.pdf)

<sup>15</sup> CIMB Sustainability Report 2018 pg. 39 [https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18\\_SustainabilityReport.pdf](https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18_SustainabilityReport.pdf)

<sup>16</sup> CIMB Sustainability Report 2018 pg. 42 [https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18\\_SustainabilityReport.pdf](https://www.cimb.com/content/dam/cimbgroup/pdf-files/annual-reports/CIMB18_SustainabilityReport.pdf)

Based on the above, Sustainalytics is of the opinion that CIMB is adequately positioned to mitigate environmental and/or social risks commonly associated with its eligible projects.

### Section 3: Impact of Use of Proceeds

All use of proceeds categories are recognized as impactful by SBG. Sustainalytics has focused on four below where the impact is specifically relevant in local context. Given that a majority of assets are in Malaysia but CIMB may potentially also invest in other countries through its international branches.

#### Relevance of renewable energy for energy mix of Malaysia

Malaysia's energy mix has become more dependent on carbon-based energy sources, particularly coal, which increased from 5% to 20% of the country's energy mix between 1996 and 2016.<sup>17</sup> In order to de-carbonize the national energy mix and reach the national target of reducing GHG emission intensity of GDP by 45% by 2030 compared to 2005 baseline,<sup>18</sup> the government of Malaysia has been introducing new programmes and initiatives such as the Renewable Energy Act, which aims to increase the low-carbon share in Malaysia's energy mix by speeding up solar photovoltaic (PV), biomass, biogas and mini hydro use.<sup>23</sup>

Based on the above, Sustainalytics considers that CIMB's financing of renewable energy and energy efficiency projects will help to increase the share of renewable energy in the countries' total electricity consumption and support national climate change mitigation targets.

#### Importance of reducing poverty through micro-credit lending in Malaysia

CIMB intends to use part of bonds' proceeds to provide microfinancing schemes for low income populations, which are defined as the B40 group by the government.<sup>19</sup> Although Malaysia reduced its overall incidence of extreme poverty from 49.3% to 0.6% between 1970 and 2016,<sup>20</sup> the B40 group remains vulnerable to high cost of living due to financial obligations that mainly result from taking personal loans to support daily life expenses.<sup>21</sup> Despite the low inflation rate, Malaysia struggles with the increasing cost of living due to rising food prices and slow income growth.<sup>22</sup> The 11<sup>th</sup> Malaysia Plan (2016-2020), includes a key strategy to "uplifting low income group, *B40*, towards a middle-class society".<sup>23</sup> The government commits to implement strategies to raise the income of B40 households and address the increasing cost of living. In conjunction with the plan, Malaysia aims to add economic value and enable rural community to be employed through enhancing access to finance, especially for B40 households.

Given the local importance of micro-credit lending, Sustainalytics considers CIMB's financing of microfinancing schemes for low-income populations to have potential to enable vulnerable population to access to finance while reducing the poverty rate in Malaysia.

#### Importance of financing affordable housing in Malaysia

CIMB intends to use part of the bonds' proceeds to build or purchase affordable housing with a price value of RM300,000<sup>24</sup> or below for populations with a monthly household income of not more than RM4,360. In Malaysia, house prices are approximately 4.5 times higher than average income, which is classified as

<sup>17</sup> Malaysia's Energy Policy Challenges: [http://www.ideas.org.my/wp-content/uploads/2018/11/P155-Malaysia\\_Energy\\_Policy\\_v12.pdf](http://www.ideas.org.my/wp-content/uploads/2018/11/P155-Malaysia_Energy_Policy_v12.pdf)

<sup>18</sup> Intended Nationally Determined Contribution of the Government of Malaysia available at: <https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Malaysia/1/INDC%20Malaysia%20Final%2027%20November%202015%20Revised%20Final%20UNFCCC.pdf>

<sup>19</sup> Low income populations, ("the B40", "the bottom 40%"), is defined as the class of citizens whom have a median household income of RM3,900 or below: <https://www.theedgemarkets.com/article/b40-refers-bottom-40-households-monthly-income-rm3900-and-below>

<sup>20</sup> The World Bank, Malaysia, Overview available at: <https://www.worldbank.org/en/country/malaysia/overview>

<sup>21</sup> Article on elevating B40 households towards a middle-class society available at: <http://103.8.145.121/sites/default/files/Strategy%20Paper%202002.pdf>

<sup>22</sup> How Rising Costs of Living Affects Different Malaysian Households available at: [http://www.krinststitute.org/What\\_We\\_Are\\_Reading-@-Beyond\\_Inflation-;\\_How\\_Rising\\_Costs\\_of\\_Living\\_Affects\\_Different\\_Malaysian\\_Households.aspx](http://www.krinststitute.org/What_We_Are_Reading-@-Beyond_Inflation-;_How_Rising_Costs_of_Living_Affects_Different_Malaysian_Households.aspx)

<sup>23</sup> 11<sup>th</sup> Malaysia Plan <https://policy.asiapacificenergy.org/sites/default/files/11th%20Malaysia%20plan.pdf>

<sup>24</sup> This threshold may be adjusted based on nationally determined definition of affordable or social housing announced by the Malaysian Government as and when available.

“seriously unaffordable” for low-income populations.<sup>25</sup> Given that the average growth rate of housing prices is significantly higher than the increase in incomes, undersupply of affordable homes remains as a challenge in Malaysia. Since increasing access to affordable housing is one of the key strategies of the 11th Malaysia Plan, the government established housing programmes for low income populations such as Program Perumahan Rakyat 1Malaysia (PR1MA), Rumah Idaman Rakyat and Rumah Mesra Rakyat 1Malaysia.<sup>26</sup> In 2019, as part of the RM1 billion Fund, the government and central bank of Malaysia defined the maximum price of an affordable house as RM300,000.<sup>27</sup> The programme aims to support low income groups to finance the purchase of their first homes.

Based on the rapidly increasing house process, undersupply of affordable houses and government’s estimations, Sustainalytics of the opinion that CIMB’s financing of affordable housing with a price value of not more than RM300,000 will create positive social impact by increasing affordable housing capacity for lower income populations and support national targets.

**Impact of empowering women-led businesses in Malaysia**

CIMB intends to use part of bonds’ proceeds to finance women led MSMEs.<sup>28</sup> Women account for 47.8% of total population and 61% of total graduate enrolment in Malaysia. Although the female labour force participation rate increased from 43.4% to 50.9% between 2010 and 2018<sup>29</sup>, it remains low compared to other regional economies and the OECD average.<sup>30</sup> Women directors on the board of top 100 publicly listed companies accounted for 19.2% in 2017, far from the government’s target of 30% by 2016.<sup>31</sup> Given that women are one of the fundamental players on mitigating talent gap difficulties in Malaysia, the government integrated a strategy, *Strategy B3*, to its 11<sup>th</sup> National Plan.<sup>32</sup> According to the plan, women will be given opportunities through loan schemes and training programmes in order to gain knowledge and experience, particularly in the area of entrepreneurship. Following the plan, a number of financing programmes<sup>32</sup> adopted to provide special help for women-led SMEs.<sup>33</sup>

Given the important role of empowering women-led MSMEs in Malaysia, where increasing access to finance for women is one of the key requirements of mitigating talent gaps and reducing poverty, Sustainalytics is of the opinion that the use of proceeds of CIMB’s SDGs bond will provide social impacts and help governments to meet their national goals.

**Alignment with/contribution to SDGs**

The SDGs were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This SDGs bond advances the following SDG goals and targets:

SDG	Use of Proceeds Category	SDG target
7. Affordable and Clean Energy <sup>34</sup>	Renewable Energy Energy Efficiency	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix  7.3 By 2030, double the global rate of improvement in energy efficiency
8. Decent Work and Economic Growth	Employment generation including through the potential effect of SME financing and microfinance	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium sized enterprises, including through access to financial services.

<sup>25</sup> Article on housing affordability in Malaysia available at <https://www.emerald.com/insight/content/doi/10.1108/IJHMA-08-2017-0069/full/pdf?title=housing-affordability-in-malaysia-perception-price-range-influencing-factors-and-policies>

<sup>26</sup> 11<sup>th</sup> Malaysia Plan <https://policy.asiapacificenergy.org/sites/default/files/11th%20Malaysia%20plan.pdf>

<sup>27</sup> Press Release available at: [http://www.bnm.gov.my/index.php?ch=en\\_press&pg=en\\_press&ac=4900](http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4900)

<sup>28</sup> According to the framework, women led MSMEs are defined as businesses in which at least 51% shareholding is owned by women, and/or top management is a woman, and/or 30% of the Board of Directors are made up of women.

<sup>29</sup> The World Bank, labor force participation rate, female <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=MY>

<sup>30</sup> Labour force participation rate in OECD and regional countries <https://stats.oecd.org/index.aspx?queryid=54741>

<sup>31</sup> Press release available at: <https://www.thestar.com.my/business/business-news/2018/01/22/closer-to-diversity-target>

<sup>32</sup> SME Programmes in Malaysia <http://www.smecorp.gov.my/images/pdf/SMEFINANCING.pdf>

<sup>33</sup> Women-led businesses refer to firms of which women hold at least 51% of the equity, or the CEOs are women that own at least 10% of the equity.

<sup>34</sup> In the CIMB SDGs Bond Framework the categories under SDG 7 are included under SDG 13

		<p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training</p> <p>8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.</p>
9. Industry, Innovation and Infrastructure	<p>Affordable Basic Infrastructure</p> <p>Clean Transportation</p> <p>Sustainable water and wastewater management</p> <p>Green Buildings</p>	<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p>9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020</p>
10. Reduced Inequality	<p>Gender Equality</p> <p>Access to Essential Services</p> <p>Affordable Housing</p>	<p>10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average</p> <p>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.</p>
12. Responsible Consumption and Production	<p>Sustainable water and wastewater management</p> <p>Pollution Prevention and Control</p>	<p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</p>
13. Climate Action	<p>Climate Change Adaptation</p>	<p>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</p>
15. Life on Land	<p>Environmentally sustainable management of living natural resources and land use</p>	<p>15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements</p> <p>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally</p>

## Conclusion

CIMB has developed the CIMB SDGs Bond Framework to issues green, social and sustainability bonds to finance projects and pure plays, defined as those deriving 80% from eligible activities, that promote positive social and environmental impact in Malaysia.

The framework defines eligibility criteria in 14 categories, namely (i) Access to Essential Services, (ii) Gender Equality, (iii) Sustainable water and wastewater management, (iv) Affordable Basic Infrastructure, (v) Renewable Energy, (vi) Energy Efficiency, (vii) Employment generation including through the potential effect of small and medium-sized enterprises (SME) financing and microfinance, (viii) Clean Transportation, (ix) Green Buildings, (x) Affordable Housing, (xi) Climate Change Adaptation, (xii) Pollution Prevention and Control, (xiii) Terrestrial and aquatic biodiversity conservation, and (xiv) Environmentally sustainable management of living natural resources and land use.

Sustainalytics has conducted an assessment of the framework and considers it to be robust, credible and in alignment with the requirements of the aligned with the GBP, SBP, SBG, ASEAN Sustainability Bonds Standards.

## Appendices

### Appendix 1: Green Buildings Certifications Comparison

	BREEAM	LEED	Malaysia Green Building Index
<b>Background</b>	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	The Green Building Index (GBI) is a Malaysian industry-recognized green rating tool, developed specifically for the tropical climate and development & cultural context of Malaysia.
<b>Certification levels</b>	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum	Certified Silver Gold Platinum
<b>Areas of Assessment: Environmental Project Management</b>	Management addresses various aspects: project management, deployment, minimal environmental disturbance worksite and stakeholder engagement.	Integrative process, which requires, from the beginning of the design process, the identification and creation of synergies between the various project stakeholders regarding the construction choices and the technical systems.	
<b>Areas of Assessment: Environmental Performance of the Building</b>	Energy Land Use and Ecology Pollution Transport Materials Water Waste Health and Wellbeing Innovation	Energy and atmosphere Sustainable Sites Location and Transportation Materials and resources Water efficiency Indoor environmental quality Innovation in Design Regional Priority	Energy Efficiency Indoor Environment Quality Materials & resources Sustainable Site Planning & Management Water Efficiency Innovation
<b>Requirements</b>	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>35</sup> and gives a BREEAM level of certification, which is based on the overall score	Prerequisites (independent of level of certification) + Credits with associated points  These points are then added together to obtain the LEED level of certification	Point score only.  Points are awarded based on various sub-criteria within each area assessed. These points are then added together to obtain the GBI level of certification.

<sup>35</sup> BREEAM weighting: Management 12%, Health and wellbeing 15%, Energy 19%, Transport 8%, Water 6%, Materials 12.5%, Waste 7.5%, Land Use and ecology 10%, Pollution 10% and Innovation 10%. One point scored in the Energy item is therefore worth twice as much in the overall score as one point scored in the Pollution item

	<p>obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools- /Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>Depending on the development type the weighting is adjusted, changing the total number of points available in that category.</p> <p>Assessment is conducted by an assessor certified by the GBI Accreditation Panel at the design and completion stages.</p>
<b>Performance display</b>			
<b>Accreditation</b>	<p>BREEAM International Assessor                  BREEAM AP                  BREEAM In Use Assessor</p>	<p>LEED AP BD+C                  LEED AP O+M</p>	
<b>Qualitative considerations</b>	<p>Used in more than 70 countries: Good adaptation to the local normative context.                  Predominant environmental focus.                  BREEAM certification is less strict (less minimum thresholds) than HQE and LEED certifications.</p>	<p>Widely recognised internationally, and strong assurance of overall quality.</p>	<p>Adapted for local context.                  Little international recognition.</p>

## Appendix 2: Overview and Analysis of FSC and PEFC Certifications

FSC and PEFC are both based on rigorous standards and on a multi-stakeholder structure. Both organizations are in line with international norms such as the International Labor Organization (ILO) conventions, the Convention on Biological Diversity (CBD), and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). In addition to compliance with laws in the country of certification, both schemes have a set of minimum requirements that companies are required to meet to obtain and maintain certifications. These requirements include compliance with standards around sustainable management of forests, management of environmental impact of operations, preservation of biodiversity, management of socio-economic and community relations, and sourcing of sustainable wood (chain of custody). Furthermore, both FSC and PEFC require external annual audits to ensure compliance and achieve and maintain certification. Despite these similarities, PEFC has faced certain criticisms from civil society actors. These are highlighted below:

- (i) **Type of organization:** Since the FSC is an international labelling and certification system, it sets its own global standards. The PEFC, in contrast, is not a standard setter, but a mutual recognition scheme. The PEFC sets sustainability benchmarks according to international norms and endorses national certification schemes that comply with these benchmarks. A common criticism of this model is that it allows for more flexibility in the interpretation of international PEFC benchmarks as per regional, cultural, and socio-economic context, and results in the endorsement of less rigorous national certification schemes. However, the process for being endorsed by the PEFC is thorough; any national certification system seeking to obtain PEFC endorsement must submit to a comprehensive assessment process, including independent evaluation and public consultation. This evaluation of compliance with international PEFC benchmarks is carried out by independent, accredited certification organizations.
- (ii) **Indigenous People's Rights:** FSC and PEFC both identify indigenous rights as an important standard in forest management. Both certification schemes require that forest management activities consider and do not infringe on indigenous people's rights, and the activities are carried out using frameworks ensuring their free and informed consent. A criticism of PEFC is that it requires only engagement with indigenous people in forest management decisions, while the FSC provides performance-oriented targets, and requires forest managers operating on indigenous lands to obtain indigenous people's consent through binding agreements.
- (iii) **Sourcing wood from non-certified sources:** Both FSC and the PEFC have established standards around sourcing wood from non-certified and controversial sources. FSC's standards direct forest managers to avoid wood harvested in violation of traditional and civil rights. A criticism of the comparable PEFC standard is that it limits identification of controversially sourced wood to situations where the local legislation is violated. However, PEFC standards explicitly reference the violation of local, national, and international legislation with regards to worker's and indigenous people's rights as being a controversial source of wood.

### Appendix 3: Sustainalytics' assessment of the MTCC<sup>36</sup> certification

MTCC or the Malaysian Timber Certification Council is an independent timber certification organization for tropical forests based on Malaysia. PEFC (The Programme for the Endorsement of Forest Certification) endorsed and publicly recognized the MTCC certification, while the national timber procurement policies in Denmark, United Kingdom, Germany, Finland, Belgium, Switzerland, France, New Zealand and the Keurhout System of The Netherlands recognize that MTCC meets the requirements for sustainable timber.

MTCC is based on a multi-stakeholder structure and is aligned with the international norms such as the International Labor Organization conventions, the United Nations Convention of Biological Diversity and the Convention on International Trade in Endangered Species of Wild Fauna and Flora.<sup>37</sup> In addition to complying with local regulations, MTCC has set requirement thresholds, including compliance with standards for Sustainable Forest Management License Agreement, the management of environmental and socio-economic impact, biodiversity preservation as well as chain of custody documentation. Furthermore, the MTCC certification requires that external audits be conducted by certification bodies,<sup>38</sup> which in turn had received certification by the MTCC Standard Malaysia Accreditation Body. Out of the 18 Certification Bodies, 17 automatically notify PEFC in regard to the forest management certifications and chain of custody certification. All other Certification Bodies not listed on the MTCC website file notifications with the PEFC Governing Body in their respective countries. Sustainalytics made an assessment of the MTCC certification and highlights below its limitations:

- (i) *Type of organization:* PEFC, the main relevant entity having recognized MTCC, has received criticism that its mutual recognition system allows for more flexibility in the interpretation of its benchmarks, as per the regional, cultural and socio-economic context, an issue potentially exerting influence over its overall assessment and outlook over the socio-environmental additionalities of the MTCC standard.
- (ii) *Local and indigenous people's rights:* Although MTCC discloses that public consultations with local communities or indigenous people are required to ensure that the entity seeking certification receives the social license to operate, Sustainalytics highlights that there is no requirement that these consultations be carried out by an independent third-party organization as it is the case under the FSC and PEFC standards. Under the MTCC standards, these consultations are conducted bilaterally by forest managers and local communities/indigenous people.
- (iii) *Non-certified wood sources:* the MTCC does not make any reference as to whether the sourcing of non-certified wood is admissible under the standard. Sustainalytics highlights that although benchmark certifications such as FSC and PEFC received criticism that the qualitative threshold for this requirement is fairly lax, limiting the identification of controversially sourced wood to wood harvested in violation of traditional and civil rights or in situations where the local, the MTCC sets no requirements for this topic.

<sup>36</sup> Malaysian Timber Certification Council website available here: <https://mtcc.com.my/>

<sup>37</sup> <http://mtcc.com.my/wp-content/uploads/2016/11/MCINatural-Forest-1.pdf>

<sup>38</sup> <https://mtcc.com.my/accreditation-body/>

## Appendix 4: Overview and Assessment of Marine Stewardship Council Certification

	Marine Stewardship Council <sup>39</sup>	Aquaculture Stewardship Council <sup>40</sup>	myOrganic <sup>41</sup>
Background	Marine Stewardship Council (MSC) is a non-profit organization founded in 1996, that issues eco-label certifications for fisheries which are sustainable and well-managed.	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	myOrganic, or the Malaysian Organic Certification Scheme, was developed by the Malaysian Department of Agriculture as a means to determine the farms practicing organic farming based on the Malaysian Standard MS 1529:2001 for The Production, Processing, Labelling and Marketing of Plant Based Organically Produced Food.
Clear positive impact	Promoting sustainable fisheries practices.	Promoting sustainable aquaculture practices.	Promoting sustainable practices in organic farming.
Minimum standards	A minimum score must be met across each of the performance indicators.  As a condition to certification, low-scoring indicators must be accompanied by action plans for improvement.	Quantitative and qualitative thresholds which are designed to be measurable, metric- and performance-based.  Certification may be granted with a “variance” to certain requirements of the standard. This variance is designed to allow the standard to adapt to local conditions but has been criticized for weakening the standard and overriding the consultations involved in the standard-setting process.	myOrganic establishes minimum application criteria and requires farmers to demonstrate improved sustainability following a (i) site inspection, an (ii) outcome analysis of pesticides residues, heavy metals and microbes and an (iii) audit of farm practices. However, <u>the actual thresholds are not publicly disclosed for consultation.</u>
Scope of certification or programme	The MSC standard consists of a fisheries standard and a chain of custody standard.  The Fishery Standard assesses three core principles: sustainable fish stocks, minimising environmental impact, and effective fisheries management; collectively these account for the major environmental and social impacts.	ASC encompasses nine farm standards, covering 15 fish species as well as the harvest of seaweed. These farm standards lay out minimum requirements regarding both environmental and social performance.  Additionally, a Chain of Custody Standard is mandatory for all supply	myOrganic addresses key risks such as pesticide and heavy metal presence in food production, synthetic fertilizers, antibiotics, GMOs, growth hormones, the general environmental protection, and the safety and welfare of farm workers. <sup>42</sup>

<sup>39</sup> <https://www.msc.org/standards-and-certification/fisheries-standard>

<sup>40</sup> <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

<sup>41</sup> <http://www.doa.gov.my/index.php/pages/view/377>

<sup>42</sup> <https://www.kccci.org.my/attachments/article/2346/MARDI-Organic%20Farming.pdf>

	The Chain of Custody standard addresses certified spirchsing, product identification, seperation, traceability and records, and good management.	chain actors in order to ensure traceability.	
Verification of standards and risk mitigation	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the MSC standard and ISO 17065.  Certification is valid for up to five years.	Third-party conformity assessment bodies (CABs), certified by Accreditation Service International (ASI) carry out assessments in line with the ASC standard and ISO 17065.  Major non-compliances must be remedied within three months.	Certified entities undergo a (i) pre-audit executed by district level Malaysian Agriculture Department officials and then a (ii) follow up audit carried out by an office of the Department of Agriculture appointed by the Director General of Agriculture.
Third party expertise and multi-stakeholder process	Aligned with the UN Code of Conduct for Reponsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)	Developed in line with United Nation’s Food and Agriculture Organization) UN FAO) and International Labour Organisation (ILO) principles.  Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice	myOrganic is a state-developed scheme. <u>There is no disclosure as to whether the certification is the result of a multi-stakeholder process.</u>
Performance display			
Qualitative considerations	The MSC label is the most widely recognized sustainable fisheries label worldwide and is generally accepted to have positive impacts on marine environments.  Proponents of the label cite the transparent science-based process for approval and its successful engagement with industry groups. Criticism from various observers include lack of focus on preventing by-catch, protecting marine mammals and endangered species, follow-up on conditions, crew safety, and live tracking of supply chains.	Widely recognized and modeled on the successful MSC certification.  Some criticism has been focused on the ability to certify with a “variance”, in which certain aspects of the standard can be interpreted or waived during the audit procedure.  While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.	The audit is conducted by the Department of Agriculture. The validity period of the myOrganic certification is one year. Certification applicable for Malaysian farms only.

## Appendix 5: Alignment with the ASEAN Sustainability Bond Standards (ASBS)

ASBS' Criteria	Alignment with ASBS	Sustainalytics' comments on alignment with the ASBS
Eligibility	Yes	The ASBS requires that issuers must be located in or that the proceeds be directed to assets in an ASEAN country. As the issuing entity is located in Malaysia, the company qualifies.
Use of Proceeds	Yes	The ASBS offers specific clarification that fossil fuel power generation projects are excluded; CIMB excludes the financing of extraction, refining, transportation, distribution and combustion of fossil fuels in the framework. Furthermore, the ASBS requires the exclusion of investments in alcohol, gambling, tobacco and weaponry. CIMB excludes the financing of companies involved in these activities.
Process for Project Evaluation and Selection	Yes	The ASBS specifies information that must be clearly communicated to investors before issuance regarding project selection. Within its framework, CIMB confirmed that project evaluation and selection process will be conducted by the Group Sustainability Council with cross functional representation and chaired by the Group CEO.
Management of Proceeds	Yes	The ASBS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. Within its framework, CIMB disclosed that all proceeds from the transactions will be deposited in a portfolio of eligible assets. The unallocated proceeds are to be invested in cash, cash equivalents and/or invest in other liquid marketable instruments according to CIMB's local liquidity management guidelines.
Reporting	Yes	The ASBS requires annual reporting on the allocation of funds and the expected impacts. CIMB states that it will provide an allocation and impact report until the full allocation of proceeds, on an annual basis.
Annual Review	Yes	The ASBS encourages, but does not require, annual reviews. CIMB commits in its Framework that the company will engage an independent provider on an annual basis to review its progress report and ensure its conformity to the Framework.

## Appendix 6: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	CIMB
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	CIMB SDGs Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	9 September 2019
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

- Regarding green assets and activities, CIMB intends to invest in energy efficiency in buildings, renewable energy, low carbon transportation and related infrastructure, water treatment and saving technology, sustainable agriculture and fishery, waste management that diverts waste from landfill and increase recycling, sustainable products, natural disaster prevention (flood control and flooding mitigation systems, disaster preparedness measures) and climate change adaptation to buildings (e.g. permeable pavements to reduce run off) and in agriculture (e.g. drip irrigation), nature conservation, as well as education programmes to increase awareness on climate change and responsible land use and sustainable forestry.
- Regarding social assets and activities CIMB intends to use the proceeds to finance loans to micro, small and medium sized enterprises (MSMEs) (as defined by the Central Bank of Malaysia) and Start-ups, microfinance institutions and schemes including those particularly targeting women led businesses, public/free/subsidized education services and facilities, education loans, transport, water and communication infrastructure, development and upgrade of mass transit systems, affordable housing, and free/subsidized healthcare services.

#### Use of proceeds categories as per GBP:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation  | <input checked="" type="checkbox"/> Clean transportation  |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input checked="" type="checkbox"/> Climate change adaptation   |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                  | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### Use of proceeds categories as per SBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
|---|--|

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Affordable housing   | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security   | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBPs:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

According to CIMB's four-step project evaluation and selection process, banking teams and Group Sustainability undergo an initial project selection and evaluation process. CIMB's Group Sustainability Council (GSC), which is chaired by the Group CEO and comprised of representatives from the group's Wholesale Banking, Commercial Banking, Consumer Banking, Islamic Banking, Risk and Strategy & Design teams then conducts the final validation based on the eligibility criteria and impact of the proposed assets, projects and/or products. Sustainalytics views CIMB's project evaluation and selection process as aligned with market practices.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

CIMB SDGs Bond proceeds will be managed by the Group Sustainability, recorded through a portfolio of eligible assets and monitored via the company's internal information systems. Pending full allocation, the unallocated proceeds will be invested in cash, cash equivalents and/or invest in other liquid marketable instruments according to local liquidity management guidelines. This process is aligned with market practices.

**Tracking of proceeds:**

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other *(please specify)*:

**Additional disclosure:**

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> :                                |

**4. REPORTING**

Overall comment on section (if applicable):

CIMB commits to provide an annual allocation report, which will be made available to investors annually on the company's website as a separate SDGs bond report. The allocation report will include; (i) aggregate amounts of funds with a summary on the types of assets, projects and products, and (ii) the remaining balance on unallocated proceeds. In addition, CIMB intends to disclose, where feasible, impact indicators such as number of bottom 40 (B40) recipients financed, healthcare facilities built/upgraded, startups and MSMEs financed, as well as tons of CO2 avoided. Sustainalytics considers CIMB's allocation and impact reporting practices to be aligned with current market practices.

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> :         |

***Information reported:***

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts    | <input checked="" type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : |  |

***Frequency:***

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual               | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings                         |
| <input checked="" type="checkbox"/> Decrease in water use   | <input checked="" type="checkbox"/> Number of beneficiaries                |
| <input checked="" type="checkbox"/> Target populations      | <input checked="" type="checkbox"/> Other ESG indicators (please specify): |
- Length of roads built in rural areas (km)
  - Number of mass transit projects supported
  - Number of households/residents benefitted from new infrastructure such as roads
  - Volume of clean water provided
  - Number of water infrastructure projects built
  - Volume of wastewater treated (m<sup>3</sup>)
  - Internet coverage (%)
  - Number of public hospitals and healthcare facilities built/upgraded
  - Number of residents benefitting from public healthcare facilities which are otherwise not accessible
  - Number of affordable and social houses financed
  - Number of women-led businesses financed, or amount of financing provided
  - Amount of education loans given out to women
  - Number of certified green buildings financed
  - Volume of water saved
  - Number of training programmes on sustainable production and/or total training hours and/or number of people trained
  - Tons of recycled waste
  - Tons of waste diverted from landfill
  - Carbon emissions avoided (tons of CO<sub>2</sub>)
  - Number of flood mitigation projects financed
  - Energy produced from renewable sources (MWh)
  - Number of households/residents benefitted from renewable energy
  - Energy savings generated (MWh)
  - Number of electric/fuel cell/hybrid vehicles financed
  - Number of farmers trained on climate-resilient agricultural methods and/or total training hours and/or number of people trained
  - Forest land restored or planted (hectares)
  - Number of species conserved
  - Carbon emissions avoided from reforestation (tons of CO<sub>2</sub>)
  -

**Means of Disclosure**

- |  |   |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report       |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): corporate website |

- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

<https://www.cimb.com/en/index.html>

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

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- i. Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second Party Opinions" may fall into this category.
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- iii. Certification: An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against an external green and social assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- iv. Rating: An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.

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