

# Second-Party Opinion

## CIMB Group SDG Bond and Sukuk Framework



### Evaluation Summary

Sustainalytics is of the opinion that the CIMB Group SDG Bond and Sukuk Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, ASEAN Social Bond Standard 2018, ASEAN Green Bond Standard 2018, and ASEAN Sustainability Bond Standards 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Clean Transportation, Renewable Energy, Energy Efficiency, Green Buildings, Climate Change Adaptation, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Terrestrial and Aquatic Biodiversity, Circular Economy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Access to Essential Services, Affordable Basic Infrastructure, Socio-economic Advancement and Empowerment, Employment Generation, and COVID-19 and Other Global Pandemics Financing – are aligned with those recognized by the GBP, SBP, and ASEAN Sustainability Bond Standards. Sustainalytics considers that investments in the eligible categories will facilitate the transition to a low-carbon economy, advance socio-economic development and the UN Sustainable Development Goals.



**PROJECT EVALUATION / SELECTION** CIMB Group’s internal process for evaluating and selecting projects is managed by the Group’s Sustainability Department. CIMB Group has internal procedures in place to identify and manage environmental and social risks associated with assets financed, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.



**MANAGEMENT OF PROCEEDS** The Group will track the allocation of net proceeds to eligible assets through its internal information systems. CIMB Group intends to allocate net proceeds to eligible projects within two years of issuance. Pending allocation, unallocated proceeds will temporarily be held in cash, cash equivalents or invest in other liquid marketable instruments in the Group’s liquidity portfolio. This is in line with market practice.



**REPORTING** CIMB Group intends to report on allocation of proceeds and impact in its Progress Report, on an annual basis, until full allocation. Allocation reporting will include aggregate amounts of funds with a summary of the types of assets, removal or substitution of eligible assets, the remaining balance of unallocated proceeds, and the share of financing versus refinancing. Sustainalytics views CIMB Group’s allocation and impact reporting as aligned with market practice.

**Evaluation date** October 15, 2021<sup>1</sup>

**Issuer Location** Kuala Lumpur, Malaysia

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### Alignment with the ASEAN Green Bond Standards

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

<sup>1</sup> This SPO is a revised version of a previous SPO produced by Sustainalytics, dated September 9, 2019. This update reflects changes to the Framework, including eligibility criteria and activities. The update incorporates assessment against the updated SBG, SBB, and GBP, more recent information on the Bank’s sustainability strategy and E&S risk management, as well as updated impact narratives and data.

## Introduction

CIMB Group Holdings Berhad and its subsidiaries (collectively “the Group” or “CIMB Group”) is a full-service bank headquartered in Kuala Lumpur, Malaysia. The Group offers services in: (i) consumer banking, (ii) commercial banking, (iii) investment banking, (iv) Islamic banking, and (v) asset management products and services. The Group also operates in Indonesia, Singapore, Thailand, Cambodia, Brunei, Vietnam, Myanmar, Laos and the Philippines. As of March 2021, the Group had around 33,000 employees.

CIMB has developed the CIMB Group SDG Bond and Sukuk Framework, dated October 2021 (the “Framework”), under which it intends to issue sustainability bonds and/or Sukuk and use the proceeds to finance and refinance, in whole or in part, existing and future projects that are expected to facilitate the transition to a low-carbon economy and advance socio-economic development primarily in Malaysia, as well as in other countries in the Association of Southeast Asian Nations (ASEAN).<sup>2</sup>

The Framework defines eligibility criteria in 10 green and five social areas.

Green:

1. Clean Transportation
2. Renewable Energy
3. Energy Efficiency
4. Green Buildings
5. Climate Change Adaptation
6. Pollution Prevention and Control
7. Sustainable Water and Wastewater Management
8. Terrestrial and Aquatic Biodiversity
9. Circular Economy
10. Environmentally Sustainable Management of Living Natural Resources and Land Use

Social:

1. Employment Generation
2. Access to Essential Services
3. Socio-economic Advancement and Empowerment
4. Affordable Basic Infrastructure
5. COVID-19 and Other Global Pandemics Financing

CIMB Group engaged Sustainalytics to review the CIMB Group SDG Bond and Sukuk Framework and provide a second-party opinion on the Framework’s environmental and social credentials, and its alignment with the Sustainability Bond Guidelines 2021 (SBG)<sup>3</sup>, Green Bond Principles 2021 (GBP)<sup>4</sup>, Social Bond Principles 2021 (SBP)<sup>5</sup>, the ASEAN Green Bond Standards 2018 (ASEAN GBS)<sup>6</sup>, the ASEAN Social Bonds Standards 2018 (ASEAN SBS)<sup>7</sup>, and the ASEAN Sustainability Bonds Standards 2018 (ASEAN SUS)<sup>8</sup>. The Framework has been published in a separate document.<sup>9</sup>

<sup>2</sup> Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

<sup>3</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-100621.pdf>.

<sup>4</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>.

<sup>5</sup> The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-100621.pdf>.

<sup>6</sup> The ASEAN Green Bond Standards are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-green-bond-standards>.

<sup>7</sup> The ASEAN Social Bonds Standards are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-social-bond-standards>.

<sup>8</sup> The ASEAN Sustainability Bonds Standards are administered by the ASEAN Capital Markets Forum and are available at: <https://www.theacmf.org/initiatives/sustainable-finance/asean-sustainability-bond-standards>.

<sup>9</sup> The CIMB Group SDG Bond and Sukuk Framework is available on CIMB Group’s website at: <https://www.cimb.com/en/sustainability/sustainable-business-and-banking-products.html#sustainability-bond>

### Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>10</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA, and the ASEAN GBS 2018, ASEAN SBS 2018, and ASEAN SUS 2018, as administered by ACMF.
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of CIMB Group's management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. CIMB Group representatives have confirmed that: (1) they understand it is the sole responsibility of CIMB Group to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information; and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and CIMB Group.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that CIMB Group has made available to Sustainalytics for the purpose of this Second-Party Opinion.

<sup>10</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the CIMB Group SDG Bond and Sukuk Framework

Sustainalytics is of the opinion that the CIMB Group SDG Bond and Sukuk Framework is credible, impactful and aligns with the four core components of the GBP, SBP, ASEAN GBS and ASEAN SBS. Sustainalytics highlights the following elements of CIMB Group's Sustainability Bond Framework:

- Use of Proceeds:
  - All of the eligible categories are aligned with those recognized by the SBG, GBP, SBP, ASEAN GBS, ASEAN SBS, and ASEAN SUS. The 15 eligible categories are: Renewable Energy, Energy Efficiency, Clean Transportation, Green Buildings, Climate Change Adaptation, Pollution Prevention and Control, Circular Economy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Terrestrial and Aquatic Biodiversity Conservation, Sustainable Water and Wastewater Management, Access to Essential Services, Socio-economic Advancement and Empowerment, Employment Generation, Affordable Basic Infrastructure, and Covid-19 and Other Global Pandemics Financing. Sustainalytics notes that the projects funded under the Framework are expected to facilitate the transition to a low-carbon economy and advance socio-economic development primarily in Malaysia, as well as in other ASEAN countries.
  - CIMB Group does not disclose a look-back period for refinancing but intends to finance the current book value of outstanding loans. For opex, CIMB Group has defined a 36 months look-back period from the issue date.
  - CIMB Group may provide general purpose loans to pure-play companies that derive more than 90% of their revenues from activities that comply with the eligibility criteria set in the Framework. Sustainalytics notes that the GBP, SBP, and SBG favour project-based lending, which provides generally better transparency in relation to reporting than non-project-based financing. Where proceeds are used for general purpose loans, Sustainalytics recommends CIMB Group 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 businesses financed.
  - Under the Renewable Energy category, CIMB Group may finance the manufacturing of components for renewable energy technology, as well as production facilities, including wind turbines, solar panels, solar thermal systems, waste-to-energy, as follows:
    - Solar photovoltaic projects, including floating and solar thermal. The Framework limits financing to solar thermal projects that generate at least 85% electricity from solar energy sources, ensuring minimum reliance on fossil fuel back-up, which aligns with market practice.
    - Wind power projects, including wind turbine manufacturing.<sup>11</sup>
    - New and existing hydropower projects may include small-scale hydro (capacity below 25 MW), run of river hydro with low storage capacity and large-scale hydro (> 25 MW). CIMB Group limits financing to existing large-scale hydropower projects with emission intensity below or equal to 100 gCO<sub>2</sub>e/kWh or with a power density above or equal to 5 W/m<sup>2</sup>. All new hydropower plants financed under the Framework will undergo environmental and social impact assessments to ensure there will be no significant controversy surrounding the project.
    - Geothermal power projects with direct emissions below or equal to 100 gCO<sub>2</sub>e/kWh, which is in line with market practice.
    - Bioenergy projects with emission intensities below or equal to 100 gCO<sub>2</sub>e/kWh and using sustainable feedstock, such as waste or by-products from certified agricultural or forestry activities, such as Forest Stewardship Council (FSC), Programme for the Endorsement Forest Certification (PEFC), and Malaysian Timber Certification Council

<sup>11</sup> The Group is committed to ensuring that balsa wood used in the manufacturing of wind turbines is sourced sustainably and certified with recognized certification standards, such as FSC and PEFC.

- (MTCC). Please refer to Appendix 3 and 4 for Sustainalytics' assessment of these schemes. This is in line with market practice.
- CIMB may finance hydrogen production through water electrolysis powered by renewables. Sustainalytics notes that clean hydrogen provides opportunities to decarbonize a wide range of industrial processes and considers the projects to be in line with market practice.
  - Grid expansion and development projects, including construction of transmission networks and base stations, carrying a minimum of 90% of renewable energy. Financing for grid expansion and development projects that transfer less than 90% renewable energy is restricted to those that meet one of the following criteria: (i) increase the share of renewable energy connected to the grid, (ii) the emission threshold for more than 67% of newly enabled generation capacity is less than 100 gCO<sub>2e</sub>/kWh over a rolling five-year period, and (iii) the average grid emission factor is below 100 gCO<sub>2e</sub>/kWh over a rolling five-year period. Additionally, the Group may finance grid-scale or behind-the-meter battery storage projects, pumped storage hydropower projects with emission intensities below 100 gCO<sub>2e</sub>/kWh, and water electrolysis power-to-hydrogen storage, including related manufacturing, development, operation and maintenance.
  - Within the Energy Efficiency category, CIMB Group may finance the following:
    - Energy efficiency improvement projects that achieve a minimum of 15% improvement in energy performance. Projects may include the refurbishment of residential or commercial buildings, improvement of heat efficiency of non-fossil-fuel powered utilities, such as district cooling systems, installation of smart grids<sup>12</sup> and smart meters, installation of energy-efficient lighting, appliances and equipment. Sustainalytics views positively the Framework's inclusion of a defined energy efficiency threshold for the installation of energy-efficient systems, equipment and technologies.
    - Manufacturing and distribution of products or technologies that enable greater increase in energy efficiency or address energy loss reduction, such as LED lights and energy-efficient water pumps, which is in line with market practice.
  - In the Clean Transportation category, CIMB Group may provide financing to the following activities:
    - Manufacturing and purchase of electric passenger vehicles and fuel cell vehicles with zero tailpipe emissions, and hybrid passenger vehicles generating direct emissions below 75 gCO<sub>2e</sub>/pkm, which is in line with market practice.
    - Manufacturing, construction, operation, maintenance and upgrade of mass transit, including electrified rail with zero direct emissions, hydrogen-powered rail, metro and subway with direct emissions less than 75 gCO<sub>2e</sub>/p-km and hydrogen-powered buses with direct emissions below 50 gCO<sub>2e</sub>/pkm. This is in line with market practice.
    - Infrastructure for low-carbon or zero-carbon vehicles and public transportation, such as electric vehicle charging stations and hydrogen fuelling facilities.<sup>13</sup>
    - Infrastructure and systems for managing transport demand, such as electronic road pricing. Sustainalytics recognizes that infrastructure investments for electronic road toll collection systems support the optimization of transport use, duration and distance in many cases, thus holds potential to reduce fuel consumption and associated GHG emissions. However, Sustainalytics recommends CIMB Group to report on the environmental impacts achieved from the intended projects.
  - Under the Green Buildings category, CIMB Group may finance the construction, renovation and purchase of residential, commercial, industrial buildings<sup>14</sup> and mixed development that meet the following green building certification levels: Green Building Index (Gold and above), Singapore Green Mark (Gold or above), BREEAM (Excellent and above), and LEED (Gold and above).

<sup>12</sup> Smart grids include substation automation systems and energy management software that provides applications for energy profiling and analytics as a basis for optimization of energy consumption and efficient energy management for utilities, large power and ordinary consumers.

<sup>13</sup> Transportation infrastructure exclude traffic/public transport control centres, sorting centres, multi-modal freight facilities, hubs and terminals.

<sup>14</sup> The Group has indicated that financing for industrial facilities will be limited to the building envelope, excluding equipment, operations, and technology used in industrial production. Additionally, the Group confirmed that the financing will not be provided to buildings designed for the purpose of extracting, storing, transporting, or manufacturing fossil fuels.

Sustainalytics view these certifications as credible, and the levels selected in line with market practice. Please refer to Appendix 1 for an overview of these certifications.

- As for the Sustainable Water and Wastewater Management category, the Group may provide financing to the following activities: (i) water supply and distribution infrastructure or network for increasing household and industrial access to water while reducing leakage and improving water quality; (ii) wastewater treatment infrastructure with the objective of reducing pollutant discharge load or improving plant efficiency, excluding wastewater treatment plants from fossil fuel operations; and (iii) sanitation facilities. Sustainalytics notes the importance of expanding water and wastewater management in developing countries.
- Within the Pollution Prevention and Control category, CIMB Group may finance the following activities:
  - Waste management activities, such as biogas infrastructure using waste as feedstock and waste diversion from landfill for composting or conversion to market quality products and by-products. The biogas infrastructure will use Roundtable on Sustainable Palm Oil ('RSPO') certified palm oil mill effluent and livestock manure from small-scale livestock farming, excluding livestock manure from industrial meat production. Waste diversion activities include the conversion of rice husk (post-harvest waste) into cutlery and durian husk into bandage. The Group has confirmed that it will not include any palm-related assets, except for RSPO-certified palm oil mill effluent used as feedstock for biogas.
  - Recycling facilities, such as buy-back and sorting centers and waste collection vehicles, for both public and industrial waste.<sup>15</sup> The Framework limits financing to waste collection vehicles that meet one of the following criteria: (i) light commercial vehicles either electric or hybrid with direct emissions less than 50 gCO<sub>2</sub>/km; and (ii) commercial heavy trucks with zero direct emissions or direct emissions less than 25 gCO<sub>2</sub>/km. Sustainalytics notes that CIMB aims to support recycling and promote waste segregation at source by improving accessibility to recycling facilities.
  - Production of low-carbon products with sustainably sourced biogenic feedstock, such as wood and bamboo, which support a substantial reduction of lifecycle emissions compared to fossil fuel-related alternatives, such as plastics, which is in line with market practice.
  - The Group may also finance operational, closed or decommissioned landfill gas capture projects that observe a gas capture efficiency of 75% or above. The Framework allows for energy generation from operational landfill representing a minor share of the net proceeds. In addition, landfill gas recovery projects are expected to have high efficiency equal to or higher than 75%. Sustainalytics views market practice in the green bond market to restrict eligibility to decommissioned landfills, however, the inclusion of operating landfill facilities with energy capture is considered to be a step forward in the ASEAN context towards improving the region's waste management capability.
- As for the Circular Economy category, CIMB Group may finance projects that promote efficient resource use and management, including the following: (i) R&D of products, processes and technologies using bio-based materials, (ii) use of recycled, waste and resource-efficient materials as inputs, and (iii) production of resource-efficient products that are certified by the Roundtable on Sustainable Biomaterials. Sustainalytics encourages CIMB Group to provide disclosure on other ISEAL recognized certification standards that the Group intends to use. Please refer to Appendix 2 for Sustainalytics' assessment of these schemes.
- Within the Environmentally Sustainable Management of Living Natural Resources and Land Use category, CIMB Group may finance the following activities:
  - Organic farming, certified farming and aquaculture projects that are certified under at least one of the following certification schemes: MyOrganic, MyGAP, Rainforest Alliance, UTZ, Bonsucro, Aquaculture Stewardship Council Farm (ASC) and other ISEAL recognized certification standards. Please refer to Appendix 2 for Sustainalytics' assessment of these schemes. Sustainalytics encourages CIMB Group to provide

<sup>15</sup> CIMB Group has defined industrial waste based on Malaysia's Environmental Quality Act 1974, which defines industrial waste as waste generated from any plant used for the generation of power or for any industrial use or for the operation of ships, dredges, locomotives, cranes or other machines. The Group has confirmed that industrial waste management processes powered by fossil fuel generation are excluded.



- disclosure on other ISEAL recognized certification standards that the Group intends to use.
- The Group may finance projects that promote sustainable food production, including: (i) sustainable seafood development certified under the Marine Stewardship Council (MSC); (ii) precision agriculture,<sup>16</sup> soil management, crop rotation, biological nitrogen fixation,<sup>17</sup> and smallholder farmers<sup>18</sup> replanting with non-GMO seeds from authorized producers;<sup>19</sup> (iii) water metering, water saving systems and technologies; (iv) rainwater harvesting and storage; and (v) training programmes on sustainable production and consumption. Training programmes will be subsidized or provided for free to local communities.
  - The development and application of climate resilient agricultural methods, such as planting non-GMO drought resistance crop,<sup>20</sup> vertical farming powered by renewables, and drip irrigation that reduce substantial water consumption compared to conventional methods.
  - Sustainalytics considers the projects as aligned with market practice while noting that vertical farming is inherently energy intensive. Sustainalytics encourages CIMB to report on the positive environmental and social impacts generated by the projects. In addition, Sustainalytics encourages CIMB to promote the holistic deployment of conservation agriculture practices<sup>21</sup> through its lending criteria in agriculture projects.
- As for the Terrestrial and Aquatic Biodiversity category, CIMB Group may finance projects for forest and wildlife conservation and restoration, as follows:
    - Afforestation projects and reforestation projects using local tree species. Financing is limited to projects certified by FSC, PEFC and MTCC. Sustainalytics views projects certified against the FSC, PEFC and MTCC schemes as aligned with market practice. Please refer to Appendix 3 and 4 for Sustainalytics' assessment of these schemes.
    - Habitat and wildlife conservation and restoration projects, such as the Malua BioBank, a conservation project that covers 34,000 hectares of rainforest in Borneo.
    - Education programmes subsidized or provided for free to local communities to increase their awareness and knowledge on responsible land use.
  - Under Climate Change Adaptation, CIMB Group may finance projects related to natural disaster prevention infrastructure and mitigation measures, such as disaster preparedness measures, flood control and flooding mitigation systems.<sup>22</sup> In addition, the Group may finance education programmes for free for vulnerable communities, such as rural populations and residents located in floodplain areas, aiming at increasing awareness on climate-related issues.
  - Within the Employment Generation category, CIMB Group may provide loans to start-ups, microenterprises, and small to medium-sized enterprises (SMEs) in developing or underdeveloped countries within the ASEAN region.<sup>23</sup> Lending will be limited to small to

<sup>16</sup> Precision agriculture is an integrated crop management system which uses remote sensing (RS), GPS, and geographical information system (GIS) to monitor the crop field at ground level. It involves precise use of agricultural inputs depending on crop, soil, and weather requirements to optimize the use of fertilizers, pesticide and irrigation for maximum productivity.

<sup>17</sup> Biological Nitrogen Fixation is a process that transforms atmospheric nitrogen in assimilable forms by leguminous perennial grasses (alfalfa, clover, etc.) with the help of symbiotic bacteria within nodules of their root systems.

<sup>18</sup> Smallholder are defined as farmers who own 100 acres of land or less.

<sup>19</sup> Replanting with seeds from authorized producers refers to licensed seeds producers under relevant authorities, such as the Malaysian Ministry of Agriculture and Food Industry. The Group has confirmed that expenditures will be limited to smallholder farmers in regions facing food security issues and will exclude the use of palm oil seeds.

<sup>20</sup> The Framework defines drought resistance crop such as the System of Rice Intensification (SRI) paddy with higher yield and less water use and climate resilience cash crops.

<sup>21</sup> Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems." Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

<sup>22</sup> CIMB Group has confirmed that the eligible asset within this category should be supported with a vulnerability assessment and adaptation plan or equivalent, which sets out the vulnerability of an asset to material physical risks from current and future climate change, as well as a management response plan to address the identified vulnerabilities (with clearly defined adaptation outcomes).

<sup>23</sup> CIMB Group will follow the definitions of each respective government or, where they do not exist, the Framework's own definitions for start-ups, microenterprises, SMEs, majority-owned or majority-managed by persons from vulnerable segments, and low-income populations. In most cases, the Framework's own definitions for these actors follow definitions of the Malaysian government's SME Corporation Malaysia agency. For more information, consult the Framework.

- medium-sized enterprises that meet one of the following criteria: (i) majority-owned or majority-managed by persons from vulnerable segments;<sup>24</sup> (ii) operate in sectors or activities that contribute to other SDGs defined in the Framework; (iii) provide benefits to low-income populations or groups from vulnerable segments by expanding access to basic needs, such as food, healthcare and education;<sup>25</sup> and (iv) increase productivity, efficiencies and income through digitalization.
- Under the Access to Essential Services, CIMB Group may finance activities that aim to improve access to healthcare and education, as follows:
    - Public and accessible to all education facilities, including schools, universities, vocational schools, teaching institutions, student housing and campuses.
    - The provision of educational loans or financing with reasonable interest or profit rates and/or income-contingent repayment options for low-income populations, women, youth, and other professionals.<sup>26</sup> Additionally, the Group may provide financing to free or subsidized education services to low-income populations, youth and entrepreneurs. The Group may also finance education or training to help women gain financial independence, such as empowerment workshops, career comeback programmes and entrepreneurship programmes. Sustainalytics highlights the well-defined target groups and mechanisms to alleviate credit constraints and is of the opinion that financing provided under this category can contribute to making education more accessible to the defined target population.
    - Free or subsidized public and/or quasi-governmental healthcare services primarily to low-income populations or underserved communities in rural areas. Eligible healthcare services will be accessible to all regardless ability to pay.
    - Free or subsidized, and accessible healthcare services, including equipment, emergency medical responses, provision of pandemic-related support, R&D for vaccines and disease control services. Additionally, the Group may provide financing to free or subsidized education services and vocational training on healthcare.
  - Under the Socio-Economic Advancement and Empowerment, CIMB Group may finance microfinance schemes to low-income populations or microfinance institutions (MFIs). To be eligible, microfinance loans must meet the following criteria: (i) reasonable interest or profit rates and no collateral or guarantor;<sup>27</sup> (ii) provide consultation and training support to customers; and (iii) option for deferment restructuring of repayment. The Group has communicated to Sustainalytics that it has a screening process in place to ensure interest rates are relatively low for a defined target population, and notes the Framework's exclusion for predatory lending, which is in line with market practice. Furthermore, the Group may finance social housing for low-income populations, defined in Malaysia as households with monthly income be low RM 4,850 (EUR 1,006),<sup>28</sup> and have a maximum property price of RM500,000 (EUR 104,000)<sup>29</sup> in Malaysia, or as defined by respective national governments in other countries. Sustainalytics notes that the target population is well defined and that the property price limit ensures that housing remains affordable, which aligns with market practice.
  - Under the Affordable Basic Infrastructure category, CIMB Group may finance a wide range of infrastructure to increase access to connectivity, communication and energy, as follows:

<sup>24</sup> The Framework defines businesses with a chief executive officer or president is from the vulnerable segments; at least 51% of shareholding, board of directors, or top management are from the vulnerable segments. Vulnerable segments consist of elderly (60 years old and above), women, youth (15-40 years old), indigenous people, people with disabilities, and ex-prisoners.

<sup>25</sup> Only companies with at least 80% of their customer base from low-income populations or vulnerable segments could qualify for the use of proceeds.

<sup>26</sup> CIMB Group has confirmed that educational loans will include income-contingent repayment options by requiring loan repayments only if the borrower's earnings exceed a certain threshold.

<sup>27</sup> CIMB Group has confirmed that financing will be accessible and affordable with interest or profit rates are at the lower to median rates offered for credit insecure borrowers as per Malaysian Moneylenders Act 1951.

<sup>28</sup> Department of Statistic Malaysia, "Household income & basic amenities survey report 2019", at:

[https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=120&bul\\_id=TU00TmRhQ1N5TUxHVWN0T2VjbXJYZz09&menu\\_id=amVoWU54UTl0a21NWmdhMjFMMWcyZz09](https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=120&bul_id=TU00TmRhQ1N5TUxHVWN0T2VjbXJYZz09&menu_id=amVoWU54UTl0a21NWmdhMjFMMWcyZz09)

<sup>29</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 at <https://www.srp.com.my/en/criteria.html>.



- The development of roads to increase connectivity in underdeveloped rural areas or where road connectivity does not exist or is inadequate and hinders a community's development.<sup>30</sup>
  - Communication infrastructure and network to increase affordable and accessibility of internet coverage and speed for mobile phone usage.
  - Transmission and distribution (T&D) infrastructure for electricity in rural areas with no access to electricity or where the access is substantially inadequate. Projects for non-electrified rural areas will exclude the T&D of electricity produced by fossil fuels.
  - Drainage systems targeted towards rural areas that currently lack such systems.
  - Freely accessible communal spaces that support recreational activities for youth.
- In the context of developing countries, Sustainalytics considers the projects in the Affordable Basic Infrastructure category impactful and aligned with market practice.
- As for the Covid-19 and Other Pandemic Financing, CIMB Group may finance the following expenditures:
    - Financing to equip, operate and add capacity and efficiency to essential healthcare facilities, such as hospitals, clinics, healthcare centres, acute care, emergency care, diagnostics, laboratory facilities, nursing home and rehabilitation facilities. In addition, the Group may finance expenditures related to facilities that provide healthcare training and housing for healthcare professionals. Housing expenditures will assist healthcare professionals in supporting regions experiencing labor shortages in a pandemic context. Housing will be provided for free. The Group may also finance expenditures related to hiring and training of medical personnel to assist in the prevention of and treatment for COVID-19.
    - Manufacturing, logistics and distribution of medical products and supplies essential to medical response, disease control services and vaccinations. Furthermore, the Group may also finance manufacturing, logistics and distribution of products and services for water, sanitation and hygiene management.
    - The conversion of facilities or equipment to produce supplies or equipment needed for the prevention of and treatment for COVID-19.
    - Financing expenditures associated with treatments for COVID-19, including subsidization of provision of pharmaceuticals, the production and distribution of pharmaceuticals, and R&D on potential new vaccines for COVID-19.
    - The Group may also provide the COVID-19 related loans to SMEs to facilitate the increase in capacity and efficiency in food systems and supporting the provisioning, production, logistics and distribution of food and nutritional supplements.
    - The Group may also provide loans to SMEs facing financial stress because of the COVID-19 pandemic and support initiatives designed to prevent or alleviate unemployment. Sustainalytics notes positively on CIMB Group's efforts to prioritize and provide loans to SMEs that face significant adversity as a result of the COVID-19 pandemic, however, Sustainalytics encourages the Group to concentrate its efforts on targeted segments of SMEs in order to maximize the social benefit of such financing.
    - Financial support for the activities of charities, non-profit, non- governmental and other social service organizations supporting populations directly affected by the COVID-19. The Group has confirmed that providing financial assistance for charities and donations will be less than 10% of net proceeds. The Group may also provide financial assistance to secure food supply during phases of restricted contact.
    - CIMB Group has confirmed that all facilities or services within this category will be made available to all population regardless of ability to pay.
  - The Framework includes an exclusionary list of activities excluded from its green, social and sustainability issuances. Sustainalytics views the exclusion of activities that have potential negative environmental or social impacts, to further strengthen CIMB Group's Framework.
  - Project Evaluation and Selection:
    - CIMB Group's Sustainability Department (GSD) will be responsible for evaluating and selecting eligible projects. The CIMB Group Sustainability Council (GSC) will review and provide final approval for proposed projects that comply with the Framework's eligibility criteria. The GSC is

<sup>30</sup> CIMB Group has notified Sustainalytics the basis of identifying rural, special development and urban areas. According to the Department of Statistic Malaysia (DOSM), urban areas are "gazetted areas and their surrounding developed regions having a combined population of 10,000 or more at the time of the 2010 census. The special development region has a population of 10,000 and at least 60% of this population (aged 15 years and above) participated in the non-agriculture activity." According to the DOSM migration survey study 2020, 77% of Malaysians live in cities, while 23% live in rural areas.

- chaired by the Group Chief Sustainability Officer of the Group and includes senior representatives from various business and functional units within the Group.
- The Group has established an internal process for conducting sustainability due diligence to identify and manage environmental and social risks associated with assets financed under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional, details see Section 2.
  - Based on these elements, Sustainalytics considers this process to be in line with market practice.
  - **Management of Proceeds:**
    - The Group will track the allocation of net proceeds to eligible assets through its internal information systems and will maintain a level of allocation to the portfolio that matches or exceeds the balance of net proceeds. If an asset ceases to fulfil the eligibility criteria outlined in the Framework, the Group will strive to replace such assets with other assets that meet the Framework's eligibility criteria as soon as practically feasible.
    - CIMB Group intends to allocate net proceeds to eligible projects within two years of issuance. Pending allocation, unallocated proceeds will temporarily be held in cash, cash equivalents and/or invest in other liquid marketable instruments in the Group's liquidity portfolio.
    - Based on these elements, Sustainalytics considers this process to be in line with market practice.
  - **Reporting:**
    - CIMB Group intends to report on the allocation and impact of proceeds in its Progress Report on an annual basis until full allocation. Allocation reporting will include aggregate amounts of funds with a summary on the types of assets, removal or substitution of eligible assets, the remaining balance of unallocated proceeds, and the share of financing versus refinancing.
    - In addition, CIMB Group is committed to reporting on relevant impact metrics, subject to availability. Impact metrics may include information such as healthcare facilities built or upgraded, start-ups and SMEs financed, as well as tonnes of CO<sub>2</sub> avoided.
    - Based on the commitment to allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

### **Alignment with Sustainability Bond Guidelines 2021**

Sustainalytics has determined that the CIMB Group SDG Bond and Sukuk Framework aligns with the four core components of the GBP and SBP. For detailed information, please refer to Appendix 7: Sustainability Bond/ Sustainability Bond Programme External Review Form.

### **Alignment with ASEAN Sustainability Bond Guidelines 2021**

The ASEAN Sustainability Bond Standards provide guidance to issuers and communicate more specifically what an issuer should do to issue a credible sustainable bond within ASEAN capital markets. Sustainalytics is of the opinion that the green and social categories under the CIMB Group Sustainable Finance Framework align with the ASEAN Sustainability Bond Standards. For detailed information, please refer to Appendix 6: Alignment with the ASEAN Sustainability Bond Standards.

## **Section 2: Sustainability Performance of CIMB Group**

### **Contribution of Framework to CIMB Group's sustainability strategy**

Sustainalytics is of the opinion that CIMB demonstrates a commitment to sustainability with a focus on key environmental and social areas. The Group 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.

Sustainability is a core element of CIMB's Forward23+ strategy, which aims to address medium and long-term risks such as climate change, biodiversity loss, social inequality and access to finance.<sup>31</sup> CIMB has also developed a comprehensive engagement framework to capture the most critical and relevant Economic,

<sup>31</sup> CIMB, "Sustainability Report", (2020), P. 7, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

Environmental, Social and Governance (EES&G) impacts as well as opportunities for stakeholders.<sup>32</sup> In 2020, CIMB conducted a high-level assessment among 2,500 stakeholders from Malaysia, Indonesia, Singapore, Thailand, Cambodia and expanded their definition of “climate change” to include both direct and indirect footprint into the scope. This helped the company to establish commonality and alignment of highly material topics across core ASEAN markets in order to deploy strategies and programmes that benefit sustainability issues.<sup>33</sup> Further, in 2020, CIMB embarked on a target setting exercise to measure and demonstrate their progress, effectiveness, impact and value in climate change focused areas. In accordance with this approach, CIMB reduced its GHG emissions intensity by 8.8%,<sup>34</sup> and total GHG emissions by 11.5%<sup>35</sup> in 2020 against 2019 levels.<sup>36</sup> Additionally, CIMB has also announced the Coal Sector Guide and committed to phase out from the coal sector by 2040.<sup>37</sup>

CIMB has prioritized SDGs to facilitate sustainability programmes and initiatives, such as issuing a USD 680 million SDG bond.<sup>38</sup> As a result, the company’s strategy on sustainability takes into account how businesses and supply chain will be impacted by risks, such as climate change and pandemics, as well as opportunities to create direct net positive impact in operations.<sup>39</sup> In January 2020, CIMB developed its framework for sustainability-linked loans (SLLs), guided by the Sustainability-Linked Loan Principles 2019 of the Asia Pacific Loan Market Association. As of end 2020, CIMB has committed nearly MYR 1 billion (USD 239 million) of the MYR 3 billion (USD 717 million) earmarked for SLLs.<sup>40</sup> Further, on the company’s financial front, GreenBizReady is CIMB’s sustainability solution for SME clients looking to advance their sustainability journey. SMEs will be connected to and supported by industry leaders along with government agencies and offered solutions like sustainability-linked financing, training and capacity building, certification plus advisory services, and business matching to strengthen their efforts.<sup>41</sup> On the social front, CIMB established various relief programmes to support businesses and individuals affected by the pandemic in Malaysia, Indonesia, Singapore, and Cambodia.<sup>42</sup> In 2020, CIMB also extended more than MYR 1.35 billion (USD 322.65 million) in financing for affordable housing among low-income communities,<sup>43</sup> and helped build capacity for more than 1,000 SMEs across ASEAN countries.<sup>44</sup>

Based on CIMB’s sustainability practices, strategy and initiatives, Sustainalytics believes that the CIMB SDG Bond and Sukuk 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**

Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes, such as issues involving workers’ health and safety, sustainability risks, environmental and social risks arising directly or indirectly from clients and activities, biodiversity and ecological risks related to the construction of large-scale infrastructure and land use change, and climate-related physical and transition risks. Moreover, social projects in general can increase inequality if not targeted sufficiently at the relevant population. Sustainalytics highlights the following measures that CIMB has taken to mitigate related risks:

<sup>32</sup> CIMB, “Sustainability Report”, (2020), P. 18, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>33</sup> CIMB, “Sustainability Report”, (2020), P. 20, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>34</sup> CIMB, “Sustainability Report”, (2020), P. 27, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>35</sup> CIMB, “Sustainability Report”, (2020), P. 31, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>36</sup> CIMB, “Sustainability Report”, (2020), P. 21, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>37</sup> *Ibid.*

<sup>38</sup> CIMB, “Sustainability Report”, (2020), P. 24, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>39</sup> CIMB, “Sustainability Report”, (2020), P. 26, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>40</sup> CIMB, “Sustainability Report”, (2020), P. 67, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>41</sup> CIMB, “Sustainability Report”, (2020), P. 68, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>42</sup> CIMB, “Sustainability Report”, (2020), P. 82, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>43</sup> *Ibid.*

<sup>44</sup> CIMB, “Sustainability Report”, (2020), P. 83, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

- Occupational health and safety are covered under CIMB's Group OSH Policy and Procedures which apply to all employees across the Group, as well as contract workers, vendors and customers on premises. The company has also conducted five occupational health and safety related training programmes in Malaysia and Thailand.<sup>45</sup>
- In 2019, CIMB launched its Group Sustainability Policy (GSP) in Malaysia and Indonesia, which was later also implemented in Singapore, Thailand and the Philippines in 2020. This policy outlines the Group's approach to sustainability guided by the UNEP FI Principles for Responsible Banking and UN Global Compact Principles. The GSP is implemented across business units to assess sustainability risks within CIMB's own operations, as well as CIMB's business relations, which include investees, CSR programme partners and grantees, suppliers and vendors, outsourcing partners, joint-venture or tie-up partners, and engaged clients.<sup>46</sup>
- To manage environmental and social risks arising directly or indirectly from CIMB-financed clients and activities, CIMB started implementing the Group Sustainable Financing Policy (GSFP) on 1 July 2019 in Malaysia, integrating environmental and social considerations into CIMB's financing decisions. According to the GSFP, sustainability due diligence is required for the Group'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.<sup>47</sup> Further, in 2020, CIMB expanded the GSFP reach to its operations in Indonesia, Singapore, Thailand and Cambodia.
- In 2020, climate-related physical and transition risks were included as a sub-component of environmental risk into the Group Risk Library and the Enterprise-Wide Risk Management Framework to provide more focus and effectively navigate climate risks.<sup>48</sup>
- CIMB participated in UNEP FI's Task Force on Climate-related Financial Disclosures (TCFD) Phase II banking pilot, where participating financial institutions worked to identify, assess and manage their climate risk and opportunities. As part of this pilot, CIMB contributed to the development of industry heat maps that will provide insights into portfolio exposure to physical and transition risks.<sup>49</sup>

Based on these policies, standards, and assessments, Sustainalytics is of the opinion that CIMB has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All 15 use of proceeds categories are aligned with those recognized by SBG, GBP, SBP, ASEAN GBS, ASEAN SBS, and ASEAN SUS. Sustainalytics focuses on four below whose impact is specifically relevant in the local context.

#### Increasing the share of renewables in the power mix of Malaysia and other countries in Southeast Asia

Coal-fired power generation has been expanding in Southeast Asia in 2019, with approximately 20 GW of new coal-fired power added capacity under construction.<sup>50</sup> However, since 2020, countries in Southeast Asia have been actively working on decarbonizing the region's energy mix, with coal power projects being targeted more actively for phasing out. In the second quarter of 2021, countries such as the Philippines and Malaysia have outlined plans to cut coal-fired capacity in pipelines, while Indonesian power utility PLN announced a coal retirement scheme.<sup>51</sup>

<sup>45</sup> CIMB, "Sustainability Report", (2020), P. 38, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>46</sup> CIMB, "Sustainability Report", (2020), P. 102, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>47</sup> CIMB, "Sustainability Report", (2020), P. 57, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>48</sup> CIMB, "Sustainability Report", (2020), P. 101, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>49</sup> CIMB, "Sustainability Report", (2020), P. 116, at: <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2020/cimb-sustainability-report-2020-160421.pdf>

<sup>50</sup> IEA, "2020 Regional focus: Southeast Asia", (2020), at: <https://www.iea.org/reports/electricity-market-report-december-2020/2k..020-regional-focus-southeast-asia>

<sup>51</sup> IHS Markit, "Southeast Asia decarbonization updates, Q2 2021", (2021), at: <https://ihsmarkit.com/research-analysis/southeast-asia-decarbonization-updates-q2-2021.html>

The current energy mix for Malaysia's power generation capacity is mainly provided by natural gas and coal, both sources accounting for 43.6% and 31.1% of total capacity, respectively.<sup>52</sup> As of December 2020, renewable energy sources accounted for 22% of total generation capacity. Yet, Malaysia heavily relies on fossil fuel sources for electricity generation: they accounted for 87.65% of the country's electricity generation in 2019.<sup>53</sup>

In order to decarbonize the national power mix and reach the national target of reducing GHG emissions intensity of GDP by 45% by 2030 compared to a 2005 baseline,<sup>54</sup> the government of Malaysia has been introducing new programmes and initiatives, such as the Renewable Energy Act. This new legislation aims to increase the share of low-carbon energy sources in Malaysia's energy mix by speeding up solar photovoltaic, biomass, biogas and mini hydro use.<sup>55</sup> At the ASEAN Ministers of Energy Meeting in June 2021, Malaysia's Minister of Energy and Natural Resources presented an energy transition plan for the country going up until 2040. Two key highlights were Malaysia's increased renewable target of 31% by 2025 and 40% by 2035 respectively, from the earlier 20% by 2025 target set in 2019. In addition, the power purchase agreements for more than 7 GW from coal power plants are expected to expire by 2033, at the end of their respective 25-year terms, after which Malaysia has committed to not build new coal power plants.<sup>56</sup>

Based on the above, Sustainalytics considers that CIMB's financing of renewable power generation capacity is expected to increase the share of renewables in the power mix of Malaysia and other countries in Southeast Asia, as well as assisting Malaysia in meeting renewable targets.

### Reducing poverty through microcredit lending in Malaysia

After the Asian financial crisis of 1997-1998, Malaysia's economy has been on an upward trajectory, averaging annual growth of 5.4% since 2010, and is expected to achieve its transition from an upper middle-income economy to a high-income economy between 2024 and 2028.<sup>57</sup> However, COVID-19 has had a major economic impact on Malaysia, particularly on vulnerable households. As a result of the pandemic, Malaysia's GDP declined by 3.4% and the economy contracted by 5.6% in 2020, reporting the steepest contraction since the 1998 Asian Financial Crisis.<sup>58</sup> Additionally, income disparities between the B40 and top 60 income groups have widened during the pandemic, requiring additional financial assistance to support the poor and vulnerable households.<sup>59</sup> Having revised its national poverty line in July 2020, 5.6% of Malaysian households are currently living in absolute poverty.<sup>60</sup>

The Malaysian government's 12th Malaysia Plan (2021-2025) includes key strategies to uplift low-income groups towards the middle class by raising incomes for the B40 groups and addressing the increasing cost of living. Under the plan, the Malaysian government aims to increase economic activity and stimulate employment generation in rural communities, for example, by enhancing access to finance for low-income populations, which are defined as the B40 group by the Malaysian government.<sup>61</sup> Additionally, research indicates that microcredit programmes may increase household income, provide access to finance, and enhance entrepreneurial capabilities, thereby reducing economic vulnerability among low-income households.<sup>62</sup> CIMB intends to use part of the proceeds from the bonds issued under the Framework in Malaysia to provide microfinancing schemes to B40 households, which is why Sustainalytics considers the activities impactful.

<sup>52</sup> Statista, "Total electricity generation capacity in Malaysia as of January 2018, by type", (2020), at: <https://www.statista.com/statistics/865614/malaysia-total-electricity-generation-capacity-by-source/>

<sup>53</sup> Global Petrol Prices, "The energy mix of Malaysia", (2019), at: [https://www.globalpetrolprices.com/energy\\_mix.php?countryId=133](https://www.globalpetrolprices.com/energy_mix.php?countryId=133)

<sup>54</sup> UNFCCC, "INTENDED NATIONALLY DETERMINED CONTRIBUTION OF THE GOVERNMENT OF MALAYSIA", (2016), at: <https://www4.unfccc.int/sites/submissions/INDC/Published%20Documents/Malaysia/1/INDC%20Malaysia%20Final%2027%20November%202015%20Revised%20Final%20UNFCCC.pdf>

<sup>55</sup> Sustainable Energy Development Authority, "RENEWABLE ENERGY ACT", (2011), at: <http://www.seda.gov.my/policies/renewable-energy-act-2011/>

<sup>56</sup> IHS Markit, "Malaysia's new Energy Transition Plan", (2021), at: <https://ihsmarkit.com/research-analysis/malaysias-new-energy-transition-plan-lower-renewable-capacity.html>

<sup>57</sup> The World Bank, "Malaysia to Achieve High Income Status Between 2024 and 2028, but Needs to Improve the Quality, Inclusiveness, and Sustainability of Economic Growth to Remain Competitive", (2021), at: <https://www.worldbank.org/en/news/press-release/2021/03/16/aiminghighmalaysia>

<sup>58</sup> Bloomberg, "Malaysia's Economy Sees Worst Year Since 1998 Asian Crisis", at: <https://www.bloomberg.com/news/articles/2021-02-11/malaysia-s-economy-suffers-worst-year-since-1998-asian-crisis>

<sup>59</sup> The World Bank, "The World Bank In Malaysia: Overview", (2021), at: <https://www.worldbank.org/en/country/malaysia/overview#1>

<sup>60</sup> *Ibid.*

<sup>61</sup> Policy Street, "B40, M40 and T20: Malaysia's Income Classification, Explained", (2021), at: <https://blog.policystreet.com/english/b40-m40-and-t20-income-classification-explained/>

<sup>62</sup> Mustapa, W. et al. (2018), "Economic Impact of Development Initiatives on Low-Income Households in Kelantan, Malaysia", MDPI, at: <https://www.mdpi.com/2076-0760/7/7/118/pdf>



Given the local importance of microcredit lending, Sustainalytics considers CIMB's financing of microfinancing schemes for low-income populations to have potential for enabling access to finance for vulnerable populations, consequently contributing to reduce poverty rates in Malaysia.

### **Financing affordable housing in Malaysia and other countries in Southeast Asia**

According to the World Bank, governments in ASEAN countries cannot meet the demand for affordable housing following rapid urbanization within the region due to their large and growing economies. In 2017, the supply shortfall has particularly worsened in some Southeast Asian countries due to the slower increases in household income relative to the rise in house prices. Between 2015 and 2016, affordable housing accounted for less than 30% of all new housing launches in Malaysia, whereas Indonesia had an affordable housing shortfall of over 11.4 million houses in 2017.<sup>63</sup> In response, governments in the region have implemented different initiatives, such as setting up single entities to manage affordable housing, deregulating residential property development projects, or promoting affordable housing development projects through public-private partnerships.<sup>64</sup>

In Malaysia, average house prices are approximately 4.5 times higher than the country's annual average income, which is classified as "seriously unaffordable" for low-income populations by the Khazanah Research Institute.<sup>65</sup> Given that the average growth rate of housing prices is significantly higher than the increase in incomes, undersupply of affordable homes remains a challenge in Malaysia. Increasing access to affordable housing is one of the key strategies of the 12<sup>th</sup> Malaysia Plan, so the government has adopted a new public housing model, relaunching the former Program Perumahan Rakyat (PPR) as Rumah Malaysia, aiming to ensure long-term sustainable provision of affordable houses. Among other initiatives under the new mode, existing housing financing schemes will be adjusted to target B40 households. For example, the Rent-to-Own programme will be expanded to cover houses priced up to MYR 500,000 (USD 119,500) with an option to purchase the property within five years of renting. In addition, the Fund for Affordable Homes and Youth Housing Scheme will continue to provide financing for first-time buyers.<sup>66</sup>

Considering the above, Sustainalytics is of the opinion that CIMB's financing of affordable housing valued under MYR 500,000 (USD 119,500) will create positive social impact by increasing affordable housing capacity for low-income populations.

### **Empowering women-led businesses in Malaysia and other countries in Southeast Asia**

The OECD's Social Institutions and Gender Index 2021 report warns that Southeast Asia's progress towards gender equality and women's empowerment may slow down as COVID-19 disproportionately affects women and girls. Having achieved gender parity in education, women's labour force participation rate in Southeast Asia is 23 percentage points lower than for men across the region. Therefore, the OECD has recommended policy actions to tackle discriminatory laws, social norms and practices, such as updating and harmonizing legislation in line with international standards, developing justice enforcement mechanisms, adopting a holistic approach to diversity, and improving communication as well as awareness on gender-based discrimination.<sup>67</sup>

CIMB intends to use part of the proceeds from the bonds issued under the Framework to finance women led MSMEs.<sup>68</sup> In 2020, the labour force participation rate among women in Malaysia was 55.3% compared to 80.6% among men. However, the proportion of women in decision-making positions in the private sector was still below the 30% minimum national target, with only 25.8% of women directors on the boards of Malaysia's top 100 public listed companies. In this scenario, the Malaysian government introduced Strategy F3 to its 12<sup>th</sup> National Plan, considering that women are fundamental actors in mitigating talent gap difficulties in the country. Under Strategy F3, women will benefit from loan schemes and training programmes to gain knowledge and experience, particularly in the area of entrepreneurship.<sup>69</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

<sup>63</sup> The ASEAN Post, "Affordable Housing in Southeast Asia", (2017), at: <https://theaseanpost.com/article/affordable-housing-southeast-asia>

<sup>64</sup> *Ibid.*

<sup>65</sup> Emerald Insight, "Housing affordability in Malaysia: perception, price range, influencing factors and policies", (2018), 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>66</sup> Economic Planning Unit, "12<sup>th</sup> Malaysia Plan", (2021), at: <https://rmke12.epu.gov.my/en>

<sup>67</sup> OECD iLibrary, "SIGI 2021 Regional Report for Southeast Asia", (2021), at: [https://www.oecd-ilibrary.org/development/sigi-2021-regional-report-for-southeast-asia\\_b01a4f2f-en](https://www.oecd-ilibrary.org/development/sigi-2021-regional-report-for-southeast-asia_b01a4f2f-en)

<sup>68</sup> Majority-owned or majority-managed by persons from the vulnerable segments, including women.

<sup>69</sup> Economic Planning Unit, "12<sup>th</sup> Malaysia Plan", (2021), at: <https://rmke12.epu.gov.my/en>

the opinion that the use of proceeds of CIMB's SDG bond will provide positive social impacts by fostering economic opportunity, reducing inequalities and enhancing social development.

#### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds eventually issued under the CIMB Group SDG Bond and Sukuk Framework are expected to contribute to the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Renewable Energy	7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 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
Energy Efficiency	7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure	7.3 By 2030, double the global rate of improvement in energy efficiency 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
Green Buildings	11. Sustainable Cities and Communities	11.c Support least developed countries, including through financial and technical assistance, in building sustainable and resilient buildings utilizing local materials
Climate Change Adaptation	15. Life on Land	15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world
Pollution Prevention and Control	11. Sustainable Cities and Communities	11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
Sustainable Water and Wastewater Management	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations
Terrestrial and Aquatic Biodiversity	15. Life on Land	15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their

		<p>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>
Circular Economy	8. Decent Work and Economic Growth	8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead
	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	11. Sustainable Cities and Communities	11. a Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning
	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources
Access to Essential Services	3. Good Health and Well-being	3.c Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States
Affordable Basic Infrastructure	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
	9. Industry, Innovation and Infrastructure	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
Socio-economic Advancement and Empowerment	8. Decent Work and Economic Growth	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
Employment Generation	8. Decent Work and Economic Growth	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
	9. Industry, Innovation and Infrastructure	9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly

		raise industry’s share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries
COVID-19 Financing	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all

## Conclusion

CIMB has developed the CIMB Group SDG Bond and Sukuk Framework under which it may issue sustainability bonds and use the proceeds to finance a wide range of environmentally and socially impactful projects that are expected to facilitate the transition to a low-carbon economy and advance socio-economic development primarily in Malaysia, as well as in other ASEAN countries.

The CIMB Group SDG Bond and Sukuk Framework outlines a process for tracking, allocating and managing proceeds, and makes commitments for CIMB to report on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the CIMB Group SDG Bond and Sukuk Framework is aligned with the overall sustainability strategy of the CIMB Group and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 7, 8, 9, 10, 11, 12, 13 and 15. Additionally, Sustainalytics is of the opinion that CIMB Group has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that CIMB Group is well positioned to issue sustainability bonds and that that CIMB Group SDG Bond and Sukuk Framework is robust, transparent and in alignment with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021, ASEAN Social Bond Standard 2018, ASEAN Green Bond Standard 2018, and ASEAN Sustainability Bond Standards 2018.

## Appendices

### Appendix 1: Overview of Green Building Certifications

	Singapore BCA Green Mark <sup>70</sup>	BREEAM <sup>71</sup>	LEED <sup>72</sup>	Malaysia Green Building Index <sup>73</sup>
<b>Background</b>	The BCA Green Mark Scheme provides real estate certifications in Singapore to promote sustainability in the built environment during project conceptualisation and design, as well as during construction.	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>	Certified Gold Gold Plus Platinum	Pass Good Very Good Excellent Outstanding	Certified Silver Gold Platinum	Certified Silver Gold Platinum
<b>Areas of Assessment: Environmental Performance of the Building</b>	Climate Responsive Design Building Energy Performance Resource Stewardship Smart and Healthy Buildings Advanced Green Efforts	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 (independent of level of certification) and point score.  Prerequisites for each performance area to demonstrate minimum criteria met.  Numerical scores achieved in accordance with the criteria in each performance area.	Prerequisites depending on the levels of certification + Credits with associated points  This number of points is then weighted by item <sup>74</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are	Prerequisites (independent of level of certification) + Credits with associated points  These points are then added together to obtain the LEED level of certification  There are several different rating systems within LEED. Each rating system is designed to	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.  Depending on the development type the weighting is adjusted, changing the total number of points available in that category.

<sup>70</sup> Building and Construction Authority, Green Mark Certification Scheme, at: <https://www1.bca.gov.sg/buildsg/sustainability/green-mark-certification-scheme>





<sup>71</sup> BREEAM, Building Research Establishment LTD, at: <https://breeam.com/>

<sup>72</sup> USGBC, LEED, at: [www.usgbc.org/LEED](http://www.usgbc.org/LEED)

<sup>73</sup> GBI, at: <https://www.greenbuildingindex.org/>

<sup>74</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>Performance Areas have different weights.</p> <p>Depending on the level of building performance and numerical score achieved in performance area, building's level of certification is determined.</p> <p>Assessment of compliance with Green Mark criteria is done by the Singapore Building and Construction Authority (BCA).</p>	<p>flexible, meaning that the client can choose which to comply with to build their BREEAM performance score.</p> <p>BREAAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>	<p>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>Assessment is conducted by an assessor certified by the GBI Accreditation Panel at the design and completion stages.</p>
<p><b>Performance display</b></p>				

## Appendix 2: Assessment of Agricultural Production Certifications

	MyOrganic <sup>75</sup>	MyGap <sup>76</sup>	Rainforest Alliance <sup>77</sup>
<b>Background</b>	MyOrganic, or the Malaysian Organic Certification Scheme, was developed by the Malaysian Department of Agriculture 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.	MyGAP (Malaysian Good Agricultural Practices) is an official certificate awarded by Ministry of Agriculture of Malaysia to give recognition to farms that adopt the concept of environmentally friendly APB, safeguarding the welfare and safety of workers to produce quality, safe and edible products. This scheme was developed based on Malaysian Standard MS 1784: 2005 Crop Commodities - Good Agricultural Practice (GAP).	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social, and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.
<b>Clear positive impact</b>	Promoting sustainable practices in organic farming.	Promoting good agricultural practice (GAP) that addresses environmental, economic, and social aspects to ensure healthy and excellent quality products.	Promoting sustainable practices in agriculture, forestry, and tourism.
<b>Minimum standards</b>	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. <u>However, the actual thresholds are not publicly disclosed for consultation.</u>	To receive myGAP certification, agribusinesses must meet the MyGAP standard based on different elements. <u>The actual thresholds are not publicly disclosed for consultation.</u>	Rainforest alliance establishes a minimum threshold for impact through critical criteria and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.
<b>Scope of certification or programme</b>	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>78</sup>	myGap addresses the following elements: (1) Traceability, (2) Keeping records and performing internal audit (3) Raw material and rootstock planning (4) Site History and Management (5) Soil and Substrate Control (6) Managing Fertilizer (7) Irrigation and fertigation activities (8) Crop protection activities (9) Harvesting process (10) Post-harvest management (11) Management of Pesticide Residue (12) Waste Management, recycling, and re-use matters (13) Health and Safety of Workers (14) Management of Environmental Issue (15) Keeping Records of Complaints (16) Legal	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use, and biodiversity use through its criteria.

<sup>75</sup> MyOrganic, Malaysian Organic Certification Scheme, at: <http://www.agricmelaka.gov.my/>

<sup>76</sup> MyGap, Malaysian Good Agricultural Practices, at: <http://mygap.doa.gov.my/>

<sup>77</sup> Rainforest Alliance, Sustainable Agriculture Certification, at: <https://www.rainforest-alliance.org/business/certification/>

		requirements and Withdrawal Process	
<b>Verification of standards and risk mitigation</b>	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.	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.	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.
<b>Third party expertise and multi-stakeholder process</b>	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>	myGap is a state-developed scheme. <u>There is no disclosure as to whether the certification is the result of a multi-stakeholder process.</u>	Standard setting is aligned with the ISEAL Standard Setting Code.
<b>Performance display</b>			
<b>Qualitative considerations</b>	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.	The audit is conducted by the Department of Agriculture. The validity period of the myGap certification is two years.	Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard.  Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.




	<b>Bonsucro<sup>79</sup></b>	<b>Roundtable on Sustainable Biomaterials<sup>80</sup></b>	<b>UTZ<sup>81</sup></b>
<b>Background</b>	Bonsucro was developed out of the Better Sugarcane Initiative, an international multistakeholder NGO whose purpose is to lower the environmental and social impacts of sugarcane production. The Bonsucro Production Standard aims to ensure that the sugarcane production and	he Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies,	The UTZ Label is global certification system for coffee, cocoa, tea and hazelnuts. The UTZ certification incorporates environmental, social, farm management and farming practices considerations. UTZ merged with Rainforest Alliance in January 2018.

<sup>79</sup> Bonsucro, at: <https://www.bonsucro.com/>

<sup>80</sup> RTRS: <http://www.responsiblesoy.org/?lang=en>

<sup>81</sup> UTZ Certification, The UTZ Standard: <http://www.responsiblesoy.org/?lang=en>

	sugarcane derived products are sustainably produced.	farmers, NGOs and intergovernmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.	
<b>Clear positive impact</b>	Promoting sustainable sugarcane production.	Promoting sustainable biomaterials.	Promoting sustainable practices in Coffee, Cocoa Tea and Hazelnut farming and trading.
<b>Minimum standards</b>	The Bonsucro Production Standard sets minimum requirements in the areas of legal compliance, biodiversity and ecosystem impacts, human rights, production and processing and continuous improvement.	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody. The RSB standard requires that biofuels achieve 50% lower lifecycle GHG emissions compared with a fossil fuel baseline. Each Principle also includes type of feedstock as a specific indicator of compliance.	UTZ establishes a minimum threshold for impact through mandatory points and additional points and requires farmers to go beyond by demonstrating compliance with an increasingly large proportion of both mandatory and additional points.
<b>Scope of certification or programme</b>	Bonsucro addresses key risks such as human and labour rights, ecosystem management, biodiversity, and land use through its criteria.	The RSB certification addresses key risks such as human and labour rights, supply chain, resource management and land and biodiversity use through its criteria.	UTZ addresses key risks such as human rights, child labour, pesticide use, and biodiversity use through its criteria.
<b>Verification of standards and risk mitigation</b>	Certified entities undergo third-party audits to ensure compliance with criteria.	Certified entities undergo a self assessment process and, afterwards, receives a visit from a third-party auditor. Annual audits will also take place after the validation.	Certified entities undergo third-party verification to ensure compliance with criteria and continuous improvement.
<b>Third party expertise and multi-stakeholder process</b>	Bonsucro is a full member of the ISEAL Alliance and respects the ISEAL Code of Good Practice for Setting Social and Environmental Standards and the Impacts Code.	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multistakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship	Standard setting is aligned with the ISEAL Standard Setting Code.

		Council, Bonsucro and the IFC Performance standards.	
<b>Performance display</b>			
<b>Qualitative considerations</b>	Bonsucro has certified around 3.37% of global sugarcane production and covers 3.70% of global area of sugarcane, having 207 member organizations in over 20 countries	The RSB certification is considered strong by organisations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56,784 hectares of farmland.	UTZ has been criticized for lack of setting minimum wages criteria and for potentially allowing for genetically modified coffee, even though these plants are not yet available. Global recognition across 131 countries around the world. There are 987,000 UTZ Certified farmers in the UTZ programme with more than 368,000 workers on the UTZ certified farms in 41 producing countries and more than 3.4 million hectares of UTZ certified crops. The UTZ name or label is present on more than 15,000 products in 131 countries.



## Appendix 3: Assessment of Forestry 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>82</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>83</sup> which in turn had received certification by the MTCC Standard Malaysia Accreditation Body. Out of the 18 Certification Bodies, 17 automatically notify PEFC about 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 assessed 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 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>82</sup> Malaysian Timber Certification Council, at: <http://mtcc.com.my/wp-content/uploads/2016/11/MCINatural-Forest-1.pdf>

<sup>83</sup> Malaysian Timber Certification Council, at: <https://mtcc.com.my/accreditation-body/>

## Appendix 4: Overview of Referenced Forestry Certification Schemes

	<b>Programme for the Endorsement of Forest Certification (PEFC)<sup>84</sup></b>	<b>Forest Stewardship Council (FSC)<sup>85</sup></b>
<b>Background</b>	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements, and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation, and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socio-economic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>
<b>Types of standards/benchmarks</b>	<ul style="list-style-type: none"> <li>• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements to obtain PEFC endorsement</li> <li>• Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification</li> <li>• Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards</li> <li>• Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products</li> <li>• PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo</li> <li>• Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement</li> </ul>	<ul style="list-style-type: none"> <li>• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests)</li> <li>• Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible)</li> <li>• Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate)</li> <li>• Controlled Wood verification (for assurance that 100% virgin fibre mixed with FSC-certified and recycled fibre originates from a verified and approved source)</li> </ul>
<b>Governance</b>	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South

<sup>84</sup> PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

<sup>85</sup> Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: [https://ca.fsc.org/preview\\_principles-criteria-v5\\_a-1112.pdf](https://ca.fsc.org/preview_principles-criteria-v5_a-1112.pdf)

	endorsements, international standards, new members, statutes, and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.	hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.
<b>Scope</b>	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) <sup>86</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.
<b>Chain-of-Custody</b>	<ul style="list-style-type: none"> <li>● Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC</li> <li>● Only accredited certification bodies can undertake certification</li> <li>● CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>● The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials</li> <li>● The CoC standard includes specifications for the physical separation of certified and non-certified wood</li> <li>● The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody</li> </ul>	<ul style="list-style-type: none"> <li>● The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards</li> <li>● CoC standard includes procedures for tracking wood origin</li> <li>● CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products</li> <li>● CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC</li> </ul>
<b>Non-certified wood sources</b>	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> <li>- operations and harvesting, including land use conversion,</li> <li>- management of areas with designated high environmental and cultural values,</li> <li>- protected and endangered species, including CITES species,</li> <li>- health and labour issues,</li> <li>- indigenous peoples' property, tenure and use rights,</li> <li>- payment of royalties and taxes.</li> </ul> </li> <li>b. genetically modified organisms,</li> <li>c. forest conversion, including conversion of primary forests to forest plantations.</li> </ol>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>b. Wood harvested in violation of traditional and civil rights,</li> <li>c. Wood harvested in forests where high conservation values are threatened by management activities,</li> <li>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> <li>e. Wood from management units in which genetically modified trees are planted.</li> </ol>
<b>Accreditation/verification</b>	Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the	FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year

<sup>86</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>



	<p>accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>	<p>certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>
<p><b>Qualitative considerations</b></p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>87</sup> and both have also faced criticism from civil society actors.<sup>88,89</sup> In certain instances, these standards go above and beyond national regulation and can provide a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

<sup>87</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>88</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>89</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

## Appendix 5: Overview and Assessment of Aquaculture Certifications

	Aquaculture Stewardship Council <sup>90</sup>	Marine Stewardship Council <sup>91</sup>
<b>Background</b>	The Aquaculture Stewardship Council (ASC) is an independent, international NGO that manages the ASC certification and labelling program for responsible aquaculture.	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.
<b>Clear positive impact</b>	Promoting sustainable aquaculture practices.	Promoting sustainable fisheries practices.
<b>Minimum standards</b>	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.	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.
<b>Scope of certification or programme</b>	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 chain actors in order to ensure traceability.	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. The Chain of Custody standard addresses certified spearfishing, product identification, separation, traceability and records, and good management.
<b>Verification of standards and risk mitigation</b>	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.	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.
<b>Third party expertise and multi-stakeholder process</b>	Developed in line with United Nation’s Food and Agriculture Organization (UN FAO) and International Labour Organization (ILO) principles.  Managed in accordance with the International Social and Environmental Accreditation and Labelling (ISEAL) Codes of Good Practice.	Aligned with the UN Code of Conduct for Responsible Fishing, and further informed by the Global Sustainable Seafood Initiative (GSSI), World Trade Organization (WTO), and International Social and Environmental Accreditation and Labelling (ISEAL)
<b>Performance display</b>		

<sup>90</sup> Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>.

<sup>91</sup> MSC, The MSC Fisheries Standard, at: <https://www.msc.org/standards-and-certification/fisheries-standard>

<p><b>Qualitative considerations</b></p>	<p>Widely recognized and modelled on the successful MSC certification.</p> <p>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.</p> <p>While a reputable certification overall, the standard does not fully mitigate all the risks associated with aquaculture.</p>	<p>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.</p>
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## Appendix 6: Alignment to the ASEAN Sustainability Bond Standards

<b>ASEAN SUS Criteria</b>	<b>Alignment with the ASEAN SUS</b>	<b>Sustainalytics' comments on alignment with the ASEAN SUS</b>
Eligibility	Yes	The ASEAN SUS requires that issuers must be in or that the proceeds be directed to assets in an ASEAN country. CIMB Group intends to finance projects in ASEAN countries.
Use of Proceeds	Yes	The ASEAN SUS offers specific clarification that fossil fuel power generation projects and projects which involve activities that pose a negative social impact related to adult entertainment, alcohol, gambling, tobacco products and weapon are excluded. CIMB Group has included exclusion criteria in the Framework to this effect.
Process for Project Evaluation and Selection	Yes	The ASEAN SUS specifies information that must be clearly communicated to investors before issuance regarding project selection. CIMB Group has established the CIMB Group Sustainability Council (GSC), which will be responsible for reviewing and selecting projects in line with the Framework's eligibility criteria. The GSC is currently chaired by the Chief Sustainability Officer of the CIMB Group, and its membership consists of senior representatives from various business and functional units within the Group.
Management of Proceeds	Yes	The ASEAN SUS mandates that proceeds must be appropriately tracked and that temporary investments be disclosed. The Group will monitor the allocation of the proceeds and the portfolio through its internal information systems. Pending allocation, unallocated proceeds will be held in cash, cash equivalent and/or invest in other liquid marketable instruments in the Group's liquidity portfolio.
Reporting	Yes	The ASEAN SUS requires annual reporting on the allocation of funds and the expected impacts. The Group states that it will provide an annual allocation report until full allocation and report on the impact of the use of proceeds.
Annual Review	Yes	The ASEAN SUS encourages, but does not require, annual reviews. The Group will engage an independent provider on an annual basis to review its progress report and ensure its conformity to the CIMB SDG Bonds and Sukuk Framework.

## Appendix 7: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	CIMB Group Holdings Berhad
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	CIMB Group SDG Bond and Sukuk Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 15, 2021
Publication date of review publication:	

### 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 GBP and SBP:

- |  |  |
|--|--|
| <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)*:

The eligible categories for the use of proceeds – Clean Transportation, Renewable Energy, Energy Efficiency, Green Buildings, Climate Change Adaptation, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Terrestrial and Aquatic Biodiversity, Circular Economy, Environmentally Sustainable Management of Living Natural Resources and Land Use, Access to Essential Services, Affordable Basic Infrastructure, Socio-economic Advancement and Empowerment, Employment Generation, and COVID-19 and Other Pandemic Financing – are aligned with those recognized by the Green Bond Principles, Social Bond Principles and ASEAN Sustainability Bond Standards. Sustainalytics considers that investments in the eligible categories will facilitate the transition to a low-carbon economy, advance socio-economic development and the UN Sustainable Development Goals, specifically SDG 3, 7, 8, 9, 10, 11, 12, and 15.

### 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 (please specify):  |

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 type="checkbox"/> Affordable housing   | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security  | <input checked="" type="checkbox"/> Socio-economic 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 SBP | <input checked="" type="checkbox"/> Other (please specify): Covid-19 and Other Pandemic Financing  |

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

CIMB Group's internal process in evaluating and selecting projects is managed by the Group's Sustainability Department (GSD). The CIMB Group Sustainability Council (GSC) will review and provide final approval for proposed projects that comply with the Framework's eligibility criteria. CIMB Group has internal procedures in place to identify and manage environmental and social risks associated with assets financed, which are applicable to all allocation decisions made under the Framework. Sustainalytics considers these risk management systems to be adequate and the project selection process to be in line with market practice.

### 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 (please specify):  |

### 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*):

The Group will track the allocation of net proceeds to eligible assets through its internal information systems. CIMB Group intends to allocate net proceeds to eligible projects within two years of issuance. Pending allocation, unallocated proceeds will temporarily be held in cash, cash equivalents and/or invest in other liquid marketable instruments in the Group's liquidity portfolio. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> 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 checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                               |

#### 4. REPORTING

Overall comment on section (if applicable):

CIMB Group intends to report on allocation of proceeds on its progress report on an annual basis until full allocation. Allocation reporting will include aggregate amounts of funds with a summary on the types of assets, removal or substitution of eligible assets, the remaining balance of unallocated proceeds, and the share of financing versus refinancing. In addition, CIMB Group is committed to reporting on relevant impact metrics. Sustainalytics views CIMB Group's allocation and impact reporting as aligned with market practice.

#### 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 (please specify):                 |

#### Information reported:

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts   | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): aggregate amounts of funds allocated to each of the SDG guiding principles of the Framework together with a summary on the types of assets financed, share of financing against re-financing for Eligible Assets, removal or substitution of Eligible Assets, and confirmation that the use of proceeds conforms to the Framework |   |

#### Frequency:

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

#### 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):                 |

#### 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): forest land restored or planted (hectares), number of species conserved, tonnes of recycled waste, tonnes of waste diverted from landfill, area with increased yield production financed |

**Frequency:**

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

**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): Progress Report |
| <input type="checkbox"/> 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.)**

**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 (please specify):                     |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's



overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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