

# CIMB Bank Berhad

**Type of Engagement:** Annual Review

**Date:** January 11, 2021

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## Introduction

In October 2019, CIMB Bank Berhad (CIMB) issued Sustainable Development Goals (SDG) Bond aimed at financing various projects and activities that support seven specific SDGs.<sup>1</sup> In 2020, CIMB engaged Sustainalytics to review the projects funded through the issued SDG bond and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the CIMB SDG Bond Framework.

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2019 based on whether the projects and programmes:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the CIMB SDG Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the CIMB SDG Bond Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

**Table 1: Use of Proceeds, Eligibility Criteria, and Associated KPIs**

| SDG Goal   | Use of Proceeds                         | Eligibility Criteria   | Key performance indicators (KPIs)               |
|--|---|--|---|
| <b>Goal 9: Industry, Innovation and Infrastructure</b> | <b>Clean Transportation</b>             | Construction, operation, maintenance and/or upgrade of mass transit, including rail, metro, subway and buses.  | Number of mass transit projects supported       |
| <b>Goal 10: Reduced Inequalities</b>                   | <b>Affordable Housing</b>               | Build or purchase affordable housing or social housing. To be eligible for the use of Proceeds, such houses should target populations with a monthly household income of not more than RM4,360 and have a maximum property price of RM300,000. <sup>2</sup>  | Number of affordable and social houses financed |
| <b>Goal 12: Responsible Consumption and Production</b> | <b>Pollution Prevention and Control</b> | Construction, operation, maintenance and/or upgrading of recycling facilities or infrastructure for both public and industrial waste   | Tonnes of recycled waste                        |
| <b>Goal 13: Climate Action</b>                         | <b>Renewable Energy</b>                 | Acquisition, development, operation and/or maintenance of renewable energy facilities including wind, solar, small-scale hydro ( $\leq 25\text{MW}$ ), geothermal (has direct emissions of less than $100\text{g CO}_2/\text{kWh}$ ) and biomass energy (has direct emissions of less than $100\text{g CO}_2/\text{kWh}$ and uses sustainable feedstock such as waste or by-products from certified agricultural or forestry activities such as Forest Stewardship Council | Energy produced from renewable sources (MWh)    |

<sup>1</sup> (i) Decent Work and Economic Growth, (ii) Industry, Innovation & Infrastructure, (iii) Reduced Inequalities, (iv) Responsible Consumption & Production, (v) Climate Action, (vi) Life on Land, (vii) and Peace, Justice & Strong Institutions.

<sup>2</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

|  |                             |  |   |
|--|-----------------------------|--|---|
|  |                             | ("FSC"), Programme for the Endorsement Forest Certification ("PEFC"), Malaysian Timber Certification Council ("MTCC").                                 |   |
|  | <b>Clean Transportation</b> | Manufacturing and/or purchase of electric, fuel cell or hybrid passenger vehicles with CO <sub>2</sub> emissions of less than 75g per km per passenger | Number of electric/fuel cell/hybrid vehicles financed |

## Issuing Entity's Responsibility

CIMB is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of CIMB's SDG Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from CIMB employees and review of documentation to confirm the conformance with the CIMB SDG Bond Framework.

Sustainalytics has relied on the information and the facts presented by CIMB with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by CIMB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>3</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of CIMB's SDG Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the CIMB SDG Bond Framework. CIMB has disclosed to Sustainalytics that the proceeds of the SDG bond were fully allocated as of June 20, 2020.

## Detailed Findings

Table 2: Detailed Findings

| Eligibility Criteria            | Procedure Performed   | Factual Findings   | Error or Exceptions Identified |
|---------------------------------|---|--|--------------------------------|
| <b>Use of Proceeds Criteria</b> | Verification of the projects funded by the SDG bond in 2019 to determine if projects aligned with the Use of Proceeds Criteria outlined in the CIMB SDG Bond Framework and above in Table 1.    | All projects reviewed complied with the Use of Proceeds criteria.                | None                           |
| <b>Reporting Criteria</b>       | Verification of the projects funded by the SDG bond in 2019 to determine if impact of projects was reported in line with the KPIs outlined in the CIMB SDG Bond Framework and above in Table 1. | All projects reviewed reported on at least one KPI per Use of Proceeds criteria. | None                           |

<sup>3</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix

### Appendix 1: Impact Reporting by Eligibility Criteria

| SDG Goal   | Use of Proceeds Category                | Impact Reported by Eligibility Criteria   |
|--|---|---|
| <b>Goal 9: Industry, Innovation and Infrastructure</b> | <b>Clean Transportation</b>             | <ul style="list-style-type: none"> <li>• Financing for the following businesses in the public transportation sector:                             <ul style="list-style-type: none"> <li>○ Railway engineering service providers (2)</li> <li>○ Bus operator (1)</li> <li>○ Railway operator (1)</li> </ul> </li> <li>• More than 40 railway engineering and maintenance projects were implemented across Malaysia.</li> <li>• The stage bus operator owns 150 buses to serve local and suburban mass passengers in one of the states in Malaysia.</li> <li>• Financed purchase of 6 new train cabins for a railway link in Kuala Lumpur in order to cope with rising passenger movements. Each cabin is able to support a maximum of 350 passengers at any one time.</li> </ul> |
| <b>Goal 10: Reduced Inequalities</b>                   | <b>Affordable Housing</b>               | <ul style="list-style-type: none"> <li>• Financed affordable housing projects in Malaysia as part of the Government of Malaysia's programme to expand the provision of affordable houses to low income groups who earn not more than RM3,000 a month. Average selling price of each property is RM67,000.</li> <li>• Enabled more than 28,000 retail customers who earn not more than RM4,360 per month to purchase their homes in various parts of Malaysia at an affordable price (not more than RM300,000 per property) since 2013.</li> </ul>   |
| <b>Goal 12: Responsible Consumption and Production</b> | <b>Pollution Prevention and Control</b> | <ul style="list-style-type: none"> <li>• Operation of five (5) recycling factories in the following states in Malaysia                             <ul style="list-style-type: none"> <li>○ Selangor (2)</li> <li>○ Johor (2)</li> <li>○ Penang (1)</li> </ul> </li> <li>• Collect, process, treat and recycle various types of waste including plastics, scrap metals, paper and electronics.</li> <li>• One of the recycling factories has a processing capacity 3,000 metric tonnes per month.</li> </ul>  |
| <b>Goal 13: Climate Action</b>                         | <b>Renewable Energy</b>                 | <ul style="list-style-type: none"> <li>• Financing for the following businesses in the renewable energy sector:                             <ul style="list-style-type: none"> <li>○ Manufacturer of solar panels (1)</li> <li>○ Solar developers and solar panel installers (4)</li> </ul> </li> <li>• The manufacturer's solar panels are certified with IEC 61215, IEC 61730 and IEC61701 and CE Marking and have an average power output warranty of 25 years.</li> <li>• One of the service providers completed more than 150 solar energy projects and installed more than &gt;100MWac solar PV systems for residential, industrial and commercial usage.</li> </ul>  |
|  | <b>Clean Transportation</b>             | <ul style="list-style-type: none"> <li>• Financed more than 3,600 new hybrid cars with CO<sub>2</sub> emissions of less than 75g per km-passenger since 2014. Average carbon emissions per km of all financed hybrid cars is estimated at 101.6 g/km<sup>2</sup>, lower than their conventional models by about 35%.<sup>3</sup></li> </ul>   |

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