



SUSTAINABLE DEVELOPMENT GOALS BOND FRAMEWORK

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FORWARD  Together



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Background

As a leading financial institution in ASEAN, the CIMB Group recognises the important role that it plays in influencing change and driving sustainability through its lending activities and day-to-day operations. Based on the philosophy of ‘Banking for the Future’, the CIMB Group takes a long-term view on business, to build a sustainable future for itself as well as its partners in growth, including its employees, customers and communities. In 2018, the CIMB Group integrated sustainability as one of the strategic pivots of its Forward23 strategy with the objective of making the CIMB Group a visible ‘shaper’ of sustainable practices in the ASEAN community within the next five years. Such a move further underpins the CIMB Group’s commitment to integrating environmental, economic and social (“**EES**”) considerations into its risk assessments and capitalising various opportunities to create a net positive impact on its stakeholders.

CIMB SDG Bond Framework

In 2015, the United Nations General Assembly adopted the 2030 Agenda for Sustainable Development (the “**2030 Agenda**”), which is comprised of the 17 Sustainable Development Goals (“**SDGs**”). The SDGs have a clear vision of “leaving no man behind” in pursuit of a sustainable future, and seek to promote cooperation among countries, businesses, civil societies and the general public in tackling issues such as poverty, hunger, inequality and climate change. The Business and Sustainable Development Commission, in its flagship report “*Better Business, Better World*” in 2017, stated that achieving the SDGs would open up at least U.S.\$12 trillion worth of market opportunities for the private sector by 2030, and well over 50 per cent of the opportunities would be found in developing countries¹.

In view of the significant benefits that the CIMB Group could potentially create by mobilising businesses and investors to contribute towards achieving the SDGs, CIMB Bank Berhad (the “**Bank**”) established the CIMB SDG Bond Framework on 31 August 2019 in accordance with the Green Bond Principles (“**GBP**”), Social Bond Principles (“**SBP**”) and the Sustainability Bond Guidelines (“**SBG**”) of the International Capital Markets Association (“**ICMA**”) as well as the ASEAN Sustainability Bond Standards (“**ASBS**”). The CIMB SDG Bond Framework sets out guidelines for the issuances of notes under the CIMB SDG Bond Framework (the “**CIMB SDG Bonds**”). Out of the 17 SDGs of the 2030 Agenda, seven SDGs have been identified and selected as the core areas of the CIMB SDG Bond Framework due to their relevance to the CIMB Group’s sustainability strategies. They are: (i) *Goal 8: Decent Work and Economic Growth*, (ii) *Goal 9: Industry Innovation and Infrastructure*, (iii) *Goal 10: Reduced Inequalities*, (iv) *Goal 12: Responsible Consumption and Production*, (v) *Goal 13: Climate Action*, (vi) *Goal 15: Life on Land* and (vii) *Goal 16: Peace, Justice and Strong Institutions*.

Use of Proceeds

The proceeds of each CIMB SDG Bond (“**Proceeds**”) will be used to finance and/or re-finance, in whole or in part, new or existing assets, businesses, projects and/or products (collectively termed “**assets**”) that comply with the guiding principles of the CIMB SDG Bond Framework (collectively, “**Eligible Assets**”). These include the Bank and its subsidiaries’ (together, the “**Group**”) own operations, provided that they are compliant with the CIMB SDG Bond Framework. For the avoidance of doubt, the Proceeds could be used to finance companies that derive 80 per cent or more of their revenue from the Eligible Assets. In these instances, the Proceeds can be used by the companies for general purposes (including capital and

¹ For more information, please see http://report.businesscommission.org/uploads/BetterBiz-BetterWorld_170215_012417.pdf.

operating expenses), so long as this financing does not fund expansion into activities falling outside the Eligible Assets.

The guiding principles of the CIMB SDG Bond Framework, aligned with the above mentioned seven identified and selected SDGs, along with examples of Eligible Assets, are outlined in the table below. Recognising that some Eligible Assets may contribute to more than one SDG, for ease of reference and communication, each Eligible Asset is categorised and placed under a specific SDG to which it creates the most significant impact.

Whilst the Eligible Assets are considered to be in congruence with the aspirations of the SDGs, the Group is cognizant of the inherent EES risks associated with some businesses, projects and/or products. In this regard, specific sustainability risk policies such as the Group Sustainability Policy (“GSP”) and Group Sustainable Financing Policy (“GSFP”) will be applied, where relevant, to ensure significant EES risks are duly identified, managed, prevented or mitigated. The Group will exercise professional judgment, discretion and sustainability knowledge in determining eligibility of businesses, projects and/or products and ensuring the ones selected for the use of Proceeds of a CIMB SDG Bond does not result in any undesirable and unacceptable impact on stakeholders or the environment.

Guiding Principles and Eligible Assets

SDG	SDG Targets	Guiding Principle(s)	Eligible Assets
Goal 8: Decent Work and Economic Growth	<p>8.3</p> <ul style="list-style-type: none"> Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services <p>8.5</p> <ul style="list-style-type: none"> By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons 	<ul style="list-style-type: none"> Activities that contribute to sustainable job creation, economic growth and societal wellbeing Activities that contribute to expanded access to affordable and responsible banking/financial products and services to vulnerable groups 	<p>Financing for:</p> <ul style="list-style-type: none"> Start-ups² and micro, small and medium sized enterprises (“MSMEs”)³. To be eligible for the use of Proceeds, the assets should exhibit one or more of the following characteristics: <ul style="list-style-type: none"> Operate in sectors/activities that contribute to other SDGs in the CIMB SDG Bond Framework Benefit low-income populations⁴ or areas, in terms of employment and expanded access to basic needs such as food, healthcare and education Education or training for entrepreneurs from low-income populations

² Start-ups are defined as businesses that are less than 6 months in operation by SME Corporation Malaysia

³ MSME are defined by the Central Bank of Malaysia as follows:

- Manufacturing: Sales turnover not exceeding RM50 million or full-time employees not exceeding 200 workers
- Services and Other Sectors: Sales turnover not exceeding RM20 million OR full-time employees not exceeding 75 workers

⁴ Low-income populations are defined as bottom 40 per cent of households with a monthly income of RM3,900 and below (“B40”) or individuals who are earning RM2,700 per month or lower

SDG	SDG Targets	Guiding Principle(s)	Eligible Assets
	<p>with disabilities, and equal pay for work of equal value</p> <p>8.6</p> <ul style="list-style-type: none"> By 2020, substantially reduce the proportion of youth not in employment, education or training <p>8.10</p> <ul style="list-style-type: none"> Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all 		<ul style="list-style-type: none"> Construction of public schools/universities/vocational schools/teaching institutions Construction of student housing/campuses for public schools and universities Free/subsidised education or vocational training for low-income populations, youth and professionals Education loans with reasonable interest rates for low-income populations, youth and professionals Microfinance schemes such as microcredits, microsavings and microinsurance/microtakaful for individuals or financing for Microfinance Institutions (“MFIs”). To be eligible for the use of Proceeds, the assets should be targeted at low-income populations and should also exhibit one or more of the following characteristics: <ul style="list-style-type: none"> Accessible and affordable, e.g. reasonable interest rates, no collateral/guarantor required, innovative channels such as digital finance Responsible, e.g. consultation and training support to customers Flexible, e.g. deferment of repayment or restructuring of repayment schedule
Goal 9: Industry, Innovation and Infrastructure	<p>9.1</p> <ul style="list-style-type: none"> Develop quality, reliable, sustainable and resilient infrastructure, including regional and 	<ul style="list-style-type: none"> Activities that result in quality, reliable and sustainable infrastructure to support affordable and equitable 	<p>Financing for:</p> <ul style="list-style-type: none"> Development of roads in areas that lack connectivity or infrastructure

SDG	SDG Targets	Guiding Principle(s)	Eligible Assets
	<p>transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all</p> <p>9.4</p> <ul style="list-style-type: none"> By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities <p>9.c</p> <ul style="list-style-type: none"> Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020 	<p>access for all, in particular, the low-income populations</p>	<ul style="list-style-type: none"> Construction, operation, maintenance and/or upgrade of: <ul style="list-style-type: none"> mass transit, including rail, metro, subway and buses water supply and distribution infrastructure or network with the intention to increase household and/or industrial access to water, decrease leakages or improve water quality wastewater treatment infrastructure with the objective of reducing pollutant discharge load or improving plant efficiency sanitation facilities Construction, renovation and/or purchase of buildings that meet recognised environmental standards, i.e. Green Building Index (“GBI”) (Gold and above), Building Research Establishment Environmental Assessment Method (“BREEAM”) (Excellent and above) or Leadership in Energy and Environmental Design (“LEED”) (Gold and above) Acquisition, development, operation and/or maintenance of communication infrastructure and network with the intention to increase affordable internet coverage and speed and/or mobile phone usage
<p>Goal 10: Reduced Inequalities</p>	<p>10.1</p> <ul style="list-style-type: none"> By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate 	<ul style="list-style-type: none"> Activities that contribute to parity within the society and enable the vulnerable and disadvantaged groups to have 	<p>Financing to:</p> <ul style="list-style-type: none"> construct and/or operate public or quasi-governmental hospitals/clinics/medical centres that offer free/subsidised healthcare services primarily to

SDG	SDG Targets	Guiding Principle(s)	Eligible Assets
	<p>higher than the national average</p> <p>10.2</p> <ul style="list-style-type: none"> By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status 	<p>equal access to resources</p>	<p>low-income populations or underserved communities in rural areas</p> <ul style="list-style-type: none"> provide and/or distribute public/free/subsidised healthcare schemes, equipment, emergency medical responses or disease control services provide education and vocational training on healthcare 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 RM300,000⁵ support women-led MSME (including microfinance schemes and financing for MFIs). To be eligible, at least one of the conditions below should be met: <ul style="list-style-type: none"> At least 51 per cent shareholding is owned by a woman or by women The chief executive officer or the president is a woman At least 51 per cent of top management (i.e. C-suite) are women 30 per cent of the board of directors are made up by women provide education or training for women, e.g. women empowerment workshops, career

⁵ This threshold may be adjusted based on nationally determined definition of affordable or social housing announced by the Malaysian Government as and when available.

SDG	SDG Targets	Guiding Principle(s)	Eligible Assets
			<p>comeback programmes and women entrepreneurship programmes</p> <ul style="list-style-type: none"> provide education loans with reasonable interest rates for women
Goal 12: Responsible Consumption and Production	<p>12.2</p> <ul style="list-style-type: none"> By 2030, achieve the sustainable management and efficient use of natural resources <p>12.5</p> <ul style="list-style-type: none"> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse 	<ul style="list-style-type: none"> Adoption of processes, infrastructure or technology that improve output, efficiency and growth of various economic sectors in a sustainable manner to recognised international standards Pollution prevention and control 	<p>Financing for:</p> <ul style="list-style-type: none"> Organic farming/certified farming or aquaculture (e.g. MyOrganic, Rainforest Alliance, Aquaculture Stewardship Council Farm ("ASC")) Sustainable seafood development (i.e. with certification from the Marine Stewardship Council ("MSC")) Manufacturing, distribution and/or purchase of water metering and water saving systems and technologies Rainwater harvesting and storage Training programmes on sustainable production or consumption (e.g. sustainable agriculture, sustainable fisheries management) Waste management activities such as waste diversion from landfill for composting or conversion to market quality products and/or byproducts Construction, operation, maintenance and/or upgrading of recycling facilities or infrastructure for both public and industrial waste Manufacture of recyclable or renewable substitutes (e.g. wood and bamboo) for single-use plastics Landfill gas capture Research into and development of processes, infrastructure, technology and facilities that promote efficient resource use

SDG	SDG Targets	Guiding Principle(s)	Eligible Assets
			and management (e.g. circular economy, water and energy conservation)
Goal 13: Climate Action	<p>13.1</p> <ul style="list-style-type: none"> Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries <p>13.3</p> <ul style="list-style-type: none"> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning 	<ul style="list-style-type: none"> Mitigation and adaptation projects that contribute to reducing carbon emission/intensity or vulnerability to climate change 	<p>Financing for:</p> <ul style="list-style-type: none"> Natural disaster prevention infrastructure and/or measures (e.g. flood control and flooding mitigation systems, disaster preparedness measures) Construction and/or purchase of climate resilient buildings and/or infrastructure which reduce the risk of climate-related disruptions such as floods (e.g. using permeable paving surfaces to reduce run-offs) Development and/or application of climate resilient agricultural methods such as drip irrigation 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 (“FSC”), Programme for the Endorsement Forest Certification (“PEFC”), Malaysian Timber Certification Council (“MTCC”)) Grid expansion/development that carries a minimum of 85 per cent renewable energy Energy efficiency improvement projects (e.g. refurbishment of residential or commercial buildings, installation of smart grids, smart meters and energy storage, installation of energy-efficient lighting, appliances or equipment) that achieve a minimum of 15 per cent improvement in energy performance

SDG	SDG Targets	Guiding Principle(s)	Eligible Assets
			<ul style="list-style-type: none"> • Manufacturing and/or distribution of products or technologies to increase uptake of renewable energy, increase energy efficiency or address energy loss reduction. These include, but are not limited to, biomass combustion, solar thermal systems, LED lights and energy efficient pumps • Construction, operation, maintenance and/or upgrade of infrastructure for clean energy vehicles (e.g. electric vehicle charging station) • Manufacturing and/or purchase of electric, fuel cell or hybrid passenger vehicles with CO₂ emissions of less than 75g per km per passenger • Education programmes for vulnerable communities (e.g. rural populations, residents located in floodplain areas) to increase awareness on climate related issues and their capability of responding and/or adapting to climate risks
Goal 15: Life on Land	<p>15.1</p> <ul style="list-style-type: none"> • By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements <p>15.2</p> <ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Activities that help protect, restore and promote sustainable use of terrestrial ecosystems and resources 	<p>Financing for:</p> <ul style="list-style-type: none"> • Forest and wildlife conservation and restoration projects • Education programmes for local communities to increase their awareness and knowledge on responsible land use • Sustainable forest management and avoided deforestation (i.e. with certification from the FSC, PEFC, MTCC)

SDG	SDG Targets	Guiding Principle(s)	Eligible Assets
Goal 16: Peace, Justice and Strong Institutions	Encapsulated in the rest of the six SDGs and sub-section “ <i>Process for evaluation and selection of Eligible Assets</i> ” where exclusions are applied.		

Process for evaluation and selection of Eligible Assets

The CIMB Group Sustainability Council (“**GSC**”) was established in 2018 in line with the Foward23 strategy and will hold ultimate responsibility and accountability for the CIMB SDG Bond Framework including approval of proposed assets, and specific definitions of Eligible Assets under the CIMB SDG Bond Framework.

The GSC is currently chaired by the Chief Executive Officer of the CIMB Group and its membership consists of senior representatives from various business and functional units within the Group. These include, among others, Group Wholesale Banking, Group Commercial Banking, Group Consumer Banking, Group Islamic Banking, Group Risk and Compliance.

The step-by-step process for evaluation and selection of Eligible Assets is as follows:

- (a) business units to screen (based on the Exclusion List⁶), select, and propose, new or existing Eligible Assets as part of their credit evaluation process and/or new product approval process;
- (b) the Group Sustainability Department (the “**GSD**”) to evaluate the proposed Eligible Assets against the CIMB SDG Bond Framework and ensure sustainability due diligence has been conducted on relevant assets in accordance with the GSP and GSFP. Where necessary, the GSD will consult with and obtain guidance from internal stakeholders including subject matter experts on their recommendations regarding the proposed assets;
- (c) the GSD to submit its recommendation to the GSC for ratification of inclusion or exclusion as use of Proceeds of the proposed assets. The recommendation will be made taking the following factors into account:
 - adherence of the proposed assets against the CIMB SDG Bond Framework and/or other relevant available standards and benchmarks;
 - compliance of the proposed assets with the GSP and/or GSFP, where relevant;
 - the intended beneficiaries of the proposed assets, where applicable;
- (d) the GSC will review and provide approval for proposed assets that comply with the CIMB SDG Bond Framework.

⁶ Exclusion List: Assets that are involved in or associated with the activities listed below will not be considered as Eligible Assets for CIMB SDG Bonds issued under the CIMB SDG Bond Framework: illegal activities such as bribery, terrorism etc, arms and munitions, casino and gaming, tobacco, alcohol, bribery, breaches of national labour laws and human trafficking laws, illegal logging or uncontrolled fire, activities that impact World Heritage Sites, extraction, refining, transportation, distribution or combustion of fossil fuels, energy efficiency improvements in fossil fuel-based technologies and other activities such as production and distribution of pornography, predatory lending activities, alcohol and drugs, etc

Management of Proceeds

The Proceeds from the CIMB SDG Bonds will be allocated to a portfolio of Eligible Assets (“**Portfolio**”), selected as per the evaluation and approval process set out above. The Bank shall strive to achieve a level of allocation for the Portfolio that matches or exceeds the balance of net Proceeds from its outstanding CIMB SDG Bonds. Where necessary, additional Eligible Assets will be added to the Portfolio to ensure sufficient and timely allocation of the incremental net Proceeds. The Group will monitor the allocation of the Proceeds and the Portfolio through its internal information systems.

During the life of the issued CIMB SDG Bonds, if any of the Eligible Assets cease to comply with the CIMB SDG Bond Framework, the Group will identify other assets that comply with the CIMB SDG Bond Framework and allocate the Proceeds to those assets as soon as is practicable.

Where the aggregate amount in the Portfolio is less than the total outstanding amount of CIMB SDG Bonds issued, the Group may hold the balance unallocated amount in cash, cash equivalents and/or invest in other liquid marketable instruments in the Group’s liquidity portfolio until the amount can be channelled towards the Portfolio.

Reporting

In light of growing investor demand for transparency of the use of Proceeds and decision-useful information relating to their investments, the Bank will issue a progress report on an annual basis until full allocation of the Proceeds. The progress report will consist of:

Allocation Reporting:

The allocation report section of the progress report will include, among others:

- (a) aggregate amounts of funds allocated to each of the SDGs/guiding principles of the CIMB SDG Bond Framework together with a summary on the types of assets financed (e.g. current book value of outstanding loans, geographical mix);
- (b) removal or substitution of Eligible Assets;
- (c) the remaining balance of unallocated Proceeds at the end of reporting period; and
- (d) confirmation that the use of Proceeds of the CIMB’s SDG Bonds conforms to the CIMB SDG Bond Framework

Impact Reporting:

The impact report section of the progress report will include:

- (a) specific examples of the assets financed by the CIMB SDG Bonds; and
- (b) the quantitative value of the EES impact arising from the assets financed, which may be measured using the indicative impact indicator examples provided in table below:

SDG	Indicative Impact Indicators
Goal 8: Decent Work and Economic Growth	<ul style="list-style-type: none"> • Number of start-ups and MSME financed • Number of entrepreneurial workshops and/or total training hours and/or number of people trained • Number of educational institutions built, their locations and types • Number of education loans given out to low-income populations, youth and professionals • Number of B40 microcredit recipients
Goal 9: Industry, Innovation and Infrastructure	<ul style="list-style-type: none"> • Length of roads built in rural areas (km) • Number of mass transit projects supported • Number of households/residents that benefitted from new infrastructure such as roads • Volume of clean water provided • Number of water infrastructure projects built • Volume of wastewater treated (m³) • Internet coverage (%)
Goal 10: Reduced Inequalities	<ul style="list-style-type: none"> • Number of public hospitals and healthcare facilities built/upgraded • Number of residents benefitting from public healthcare facilities which are otherwise not accessible • Number of affordable and social houses financed • Number of women-led businesses financed, or amount of financing provided • Amount of education loans given out to women
Goal 12: Responsible Production and Consumption	<ul style="list-style-type: none"> • Number of certified green buildings financed • Volume of water saved • Number of training programmes on sustainable production and/or total training hours and/or number of people trained • Tonnes of recycled waste • Tonnes of waste diverted from landfill
Goal 13: Climate Action	<ul style="list-style-type: none"> • Carbon emissions avoided (tonnes of CO₂) • Number of flood mitigation projects financed • Energy produced from renewable sources (MWh) • Number of households/residents that benefitted from renewable energy • Energy savings generated (MWh)

SDG	Indicative Impact Indicators
	<ul style="list-style-type: none"> • Number of electric/fuel cell/hybrid vehicles financed • Number of farmers trained on climate-resilient agricultural methods and/or total training hours and/or number of people trained
Goal 15: Life on Land	<ul style="list-style-type: none"> • Forest land restored or planted (hectares) • Number of species conserved • Carbon emissions avoided from reforestation (tonnes of CO₂)

External Review

The Bank has obtained a second-party opinion from Sustainalytics on 9 September 2019 to confirm the alignment of the CIMB SDG Bond Framework with the ICMA’s GBP, SBP and SBG as well as the ASBS.

In addition to the second-party opinion, the Bank will also engage an independent provider on an annual basis to review our progress report and ensure its conformity to the CIMB SDG Bond Framework.

The second party opinion by Sustainalytics, as well as the reviewed annual progress report, will be published and made publicly available on www.cimb.com.