



# SUSTAINABLE DEVELOPMENT GOALS BOND PROGRESS REPORT

December 2020

FORWARD  Together



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### ABOUT THIS REPORT

This Sustainable Development Goals Bond Progress Report (“**Report**”) provides an update to investors on the **use of proceeds** and **sustainability impacts** of CIMB Bank Berhad’s US\$680 million Formosa & Reg S Sustainable Development Goals Bond (“**CIMB SDG Bond**”) as at **30 June 2020**. Details of the CIMB SDG Bond Framework, evaluation and selection procedure, reporting criteria and use of proceeds are also available in this Report.

### FEEDBACK

We are committed to ensuring transparency and quality of disclosures in the Green, Social and Sustainable Bond/ Sukuk market. We welcome all feedback, ideas and questions from our investors and stakeholders with regard to this Report. Please contact:

#### Luanne Sieh

Head, Group Sustainability & Corporate Responsibility  
[sustainability@cimb.com](mailto:sustainability@cimb.com)

### DISCLAIMERS

- This report is provided for information purposes only.
- The information presented is correct as at the reporting date stated. This report does not contain all relevant information in respect of the CIMB SDG Bond. All information is subject to change without notice or update.
- Investors should make their own assessment and seek their own independent professional advice to enable them to make any decision concerning their investment in the CIMB SDG Bond.
- Any forward-looking statement is a present prediction of a possible future outcome, the accuracy of which cannot be guaranteed. Past performance should not be deemed as a guide to future performance.

## Introduction

CIMB Group recognises the impacts of our business and decisions on the wellbeing of stakeholders and the environment. Our commitment is to operate in a way that assumes accountability and responsibility for our actions, while minimising negative impacts and creating a net positive impact on people and the planet. Setting our sights on becoming the leading focused ASEAN bank and a future ‘shaper’ of sustainable practices, we integrated sustainability as one of the key elements of our strategic theme to become a purpose-driven organisation. Within a span of less than two years, we have managed to make considerable strides on different fronts. As we strive to be a top quartile bank in ASEAN under our Forward23+ strategy, we target to achieve the 75<sup>th</sup> percentile of the Dow Jones Sustainability Index (“**DJSI**”) ranking by 2024.



### Commitments & Targets

- A founding member and the first signatory bank of the United Nations Environment Programme Finance Initiative (“UNEP FI”) Principles for Responsible Banking in ASEAN
- A signatory of the UNEP FI’s Collective Commitment on Climate Action, contributing to local and global climate-related efforts
- A supporting member of the Global Investors for Sustainability Development Alliance, a UN initiative to free up trillions of dollars from the private sector to finance the SDGs
- A top ASEAN Banking Group with a clear Sustainability Roadmap, having demonstrated a marked improvement in ranking on DJSI by over 40 percentile points [from the 19<sup>th</sup> percentile in 2018 to the 65<sup>th</sup> percentile in 2020, against the target of the 75<sup>th</sup> percentile by 2023]



### Positive Impact Maximisation

- Introduced a Positive Impact Products and Services Framework, which takes into account economic, environmental and social factors when designing financial solutions
- Introduced new banking products and services including sustainability-linked loans and CIMB SME Renewable Energy Financing for small and medium-sized enterprises, to enable our clients to improve their sustainability performance with ease



### Risk Mitigation

- Operationalised the Group Sustainability Risk Management Framework that integrates environmental and social risks into enterprise risk management strategies
- Established and rolled out two anchor policies, i.e. Group Sustainability Policy and Group Sustainable Financing Policy to tackle environmental and social risks associated with our lending and day-to-day operations
- Introduced five sector guides covering palm oil, forestry, oil & gas, construction & real estate as well as coal
- Commit to phasing out coal from portfolio by 2040 to align with the 1.5°C goal of the Paris Climate Agreement



### Awareness Building & Partnerships

- Institutionalised The Cooler Earth Sustainability Summit to increase market awareness of the importance of sustainability and to mobilise support of key stakeholders in the ecosystem
- Demonstrated commitment through participation in various industry-level and policy-level dialogues and action-oriented platforms, such as Bank Negara Malaysia’s Joint Committee on Climate Change and Community of Practitioners for Value-Based Intermediation, which has been set-up to steer and drive convergence for climate responses and sustainable efforts among Malaysian banks

## Overview of CIMB SDG Bond

In 2015, the United Nations General Assembly adopted the 17 Sustainable Development Goals (“**SDGs**”) as part of the 2030 Agenda for Sustainable Development (the “**Agenda**”) – the blueprint for a better and more sustainable future for all. The Agenda outlined a 15-year plan to achieve the 169 targets of the SDGs as monitored by 230 indicators, which signify different aspects of sustainable development.

Some improvements have been made since the adoption of the SDGs five years ago, such as expanding access to electricity and increasing women’s representation in positions of power. However, it has not been without any setbacks, according to a recent SDG Report 2020 issued by the United Nations<sup>1</sup>. Compounded by the devastating impacts of COVID-19, progress has been uneven, reversed or delayed in many SDG areas such as health protection, education and biodiversity conservation.

The COVID-19 pandemic has reminded us of the importance of the SDGs and underscored the urgency of their implementation in order to attain an economy and society that is resilient, fair and environmentally sound over the long term.

*“...global efforts to date have been insufficient to deliver the change we need, jeopardising the Agenda’s promise to current and future generations. Now, due to COVID-19, an unprecedented health, economic and social crisis is threatening lives and livelihoods, making the achievement of Goals even more challenging.” – UN Secretary-General António Guterres*

As a leading bank in ASEAN, we are cognisant of our responsibility to support and work towards the SDGs. This is against the backdrop of many studies which have pointed to the need to plug a financing gap worth trillions of dollars in order to meet the SDG ambitions. In this regard, CIMB Bank Berhad (“**CIMB Bank**” or “**CIMB**”) established the CIMB SDG Bond Framework in 2019. Benchmarked against the Green Bond Principles (“**GBP**”), Social Bond Principles (“**SBP**”) and the Sustainability Bond Guidelines (“**SBG**”) of the International Capital Markets Association as well as the ASEAN Sustainability Bond Standards (“**ASBS**”), the CIMB SDG Bond Framework sets out guidelines for the issuances of notes under the framework.

### Second Party Opinion

CIMB Bank obtained a second-party opinion on CIMB SDG Bond Framework from Sustainalytics on 9 September 2019. Sustainalytics was of the view that the CIMB SDGs Bond Framework was credible and impactful, and aligned with the four core components of the GBP, SBP, SBG and ASBS.

In October 2019, CIMB Bank successfully priced its US\$680 million Formosa & Reg S Sustainable Development Goals Bond (“**CIMB SDG Bond**”). This CIMB SDG Bond marked the first ever SDG Bond issued by a Malaysian and ASEAN issuer in the Reg S international capital markets, and also the first issued in the Formosa market. A five-year floating rate note priced at a spread of 78 basis points above US\$ 3 months LIBOR, the proceeds of the CIMB SDG Bond (“**Proceeds**”) will be used to finance various impactful sectors that support seven specific SDGs, namely Decent Work and Economic Growth; Industry, Innovation & Infrastructure; Reduced Inequalities; Responsible Consumption & Production; Climate Action; Life on Land; and Peace, Justice & Strong Institutions.

<sup>1</sup> United Nations (2020). The Sustainable Development Goals Report 2020. Available at: <https://unstats.un.org/sdgs/report/2020/The-Sustainable-Development-Goals-Report-2020.pdf>

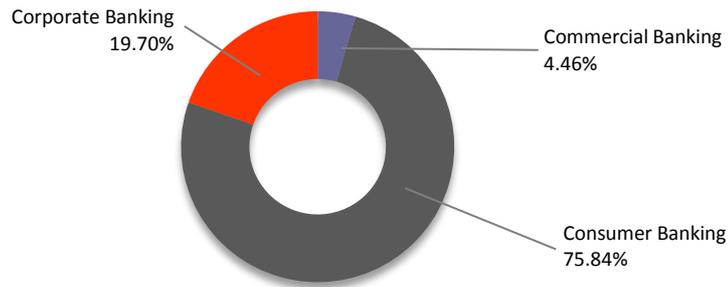
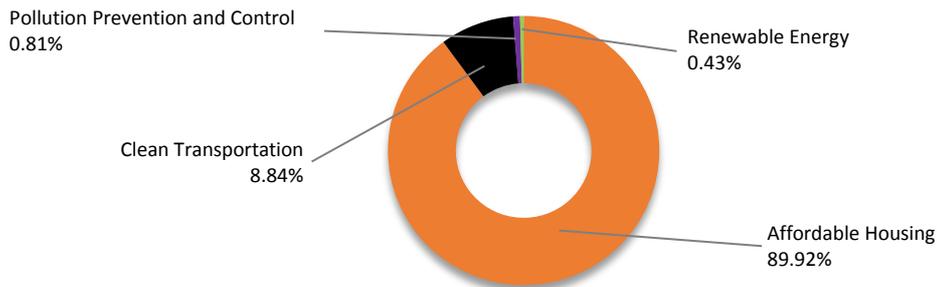
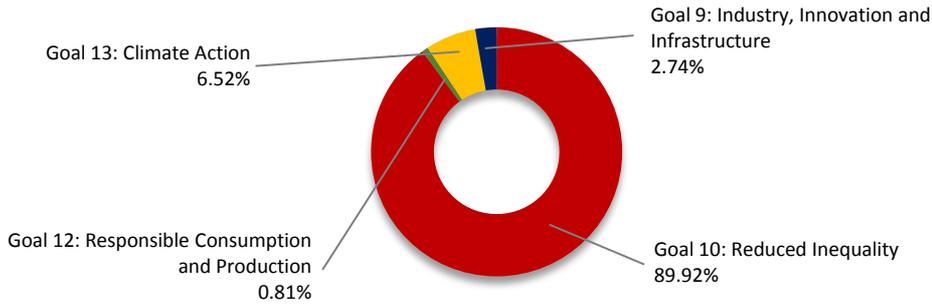
## CIMB SDG Bond Summary

Issuer	CIMB Bank Berhad
Issuer Ratings	A3 (Moody's)
Offering	Senior Unsecured Floating Rate Notes; Drawdown from CIMB Bank Berhad's US\$5 billion Euro Medium Term Notes Program
Size	US\$680 million
Tenor	5-year
Listing	The Singapore Exchange Securities Trading Limited, Bursa Malaysia Securities Berhad (Exempt Regime) and Taipei Exchange of the People's Republic of China
Use of Proceeds	<p>Assets that support the following seven priority SDGs of CIMB Group:</p> <ul style="list-style-type: none"> <li>• Goal 8: Decent Work and Economic Growth</li> <li>• Goal 9: Industry, Innovation and Infrastructure</li> <li>• Goal 10: Reduced Inequalities</li> <li>• Goal 12: Responsible Consumption and Production</li> <li>• Goal 13: Climate Action</li> <li>• Goal 15: Life on Land</li> <li>• Goal 16: Peace, Justice and Strong Institutions (encapsulated in the goals above)</li> </ul> <p><i>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.</i></p>
Evaluation	<ul style="list-style-type: none"> <li>• Business units screen, select, and propose a list of new or existing assets, businesses, projects and/or products pursuant to the guiding principles of the SDG Bond Framework ("<b>Eligible Assets</b>")</li> <li>• Group Sustainability Department ("<b>GSD</b>") evaluates the proposed Eligible Assets against the CIMB SDG Bond Framework and ensure sustainability due diligence has been duly conducted, if any</li> <li>• GSD makes recommendations to Group Sustainability Council ("<b>GSC</b>") for ratification of inclusion or exclusion as use of Proceeds of the proposed Eligible Assets</li> <li>• GSC reviews and provides final approval for proposed Eligible Assets</li> </ul>
Management of Proceeds	<ul style="list-style-type: none"> <li>• The Proceeds will be allocated to a portfolio of Eligible Assets ("<b>Portfolio</b>"). Where necessary, additional Eligible Assets will be added to the Portfolio to ensure sufficient and timely allocation of the incremental net Proceeds</li> <li>• Allocation of the Proceeds and the Portfolio will be monitored and tracked through our internal information systems</li> </ul>

	<ul style="list-style-type: none"><li>• If any of the Eligible Assets cease to comply with the CIMB SDG Bond Framework, new Eligible Assets will be identified and allocate the Proceeds to those assets as soon as is practicable.</li></ul>
Reporting	<p>CIMB Bank will provide a progress report on an annual basis until full allocation of the Proceeds. The progress report will consist of:</p> <p><b>Allocation Reporting:</b></p> <ul style="list-style-type: none"><li>• 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</li><li>• Removal or substitution of Eligible Assets</li><li>• The amount of unallocated Proceeds at the end of reporting period</li><li>• Confirmation that the use of Proceeds of the CIMB’s SDG Bonds conforms to the CIMB SDG Bond Framework</li></ul> <p><b>Impact Reporting:</b></p> <ul style="list-style-type: none"><li>• Specific examples of the assets financed by the CIMB SDG Bonds</li><li>• The quantitative value of the economic, environmental and social (“EES”) impacts arising from the assets financed</li></ul>

## Allocation of Bond Proceeds and Impact

As at 30 June 2020, the proceeds from the CIMB SDG Bond have been fully allocated to Eligible Assets in line with the CIMB SDG Bond Framework, as illustrated in the diagrams below:



<b>Reporting Date</b>	30 June 2020
<b>Geographic Allocation of Eligible Assets</b>	Malaysia only
<b>Original Currency of Eligible Assets</b>	Malaysian Ringgit (MYR)
<b>Exchange Rate (MYR: USD)</b>	1: 0.23 (as at 30 June 2020)
<b>Total Portfolio Size of Eligible Assets</b>	US\$ 1.14 billion
<b>Number of Eligible Assets</b>	6

## Eligible Assets Register as at 30 June 2020

SDG	SDG Target	GBP/SBP Category	Eligible Asset/ Portfolio Description <sup>1</sup>	Facility Type	Asset Value (US\$ mil) <sup>2</sup>	% of Eligible Assets/ Portfolios	Impacts
Goal 9: Industry, Innovation and Infrastructure	9.1	Clean Transportation	Construction/ operation/ maintenance/ upgrade of mass transit	Commercial and Corporate Loan/ Financing	31.25	2.74%	<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 pax at any one time</li> </ul>
Goal 10: Reduced Inequalities	10.2	Affordable Housing	Development of affordable housing	Corporate Loan/ Financing	203.01	17.83%	<ul style="list-style-type: none"> <li>Part 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> </ul>
	10.2	Affordable Housing	Personal loan/ financing for affordable houses	Consumer Loan/ Financing	820.73	72.09%	<ul style="list-style-type: none"> <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>
Goal 12: Responsible Consumption and Production	12.5	Pollution Prevention and Control	Operation of recycling infrastructure	Commercial Loan/ Financing	9.24	0.81%	<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>

SDG	SDG Target	GBP/SBP Category	Eligible Asset/ Portfolio Description <sup>1</sup>	Facility Type	Asset Value (US\$ mil)	% of Eligible Assets/ Portfolios	Impacts
Goal 13: Climate Action	13.1	Renewable Energy	Development/ operation of solar technology and infrastructure	Commercial Loan/ Financing	4.92	0.43%	<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>
	13.1	Clean Transportation	Personal loan/ financing for hybrid cars	Consumer Loan/ Financing	69.35	6.09%	<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>

Reporting Notes:

<sup>1</sup> Names of borrowers are not provided due to confidentiality concern.

<sup>2</sup> Calculated based on publicly available data for each financed hybrid car (e.g. technical specifications provided by car manufacturers). Where data was not available, alternative methods were used to estimate the emission intensity (e.g. by referring to the average gCO<sub>2</sub>/km of all hybrid cars produced by a particular car manufacturer). Most figures were derived using the Worldwide Harmonised Light Vehicle Test Procedure (WLTP).

<sup>3</sup> Estimated by comparing the emission intensity of each financed hybrid car to its equivalent or similar conventional model by the same car manufacturer, if any.

### Annual Review by Sustainalytics

In 2020, CIMB engaged Sustainalytics to review the projects funded through the issued CIMB 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.

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes them to believe that, in all material respects, the reviewed bond projects, funded through proceeds of CIMB SDG Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the CIMB SDG Bond Framework.