

CASE STUDIES: GREEN, SOCIAL AND SUSTAINABILITY BOND ISSUANCES AND POLICY INTERVENTIONS

WORKSHOP ON SCALING UP GREEN FINANCE IN INDONESIA

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President/ Chief Executive Officer Cagamas
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CAGAMAS BERHAD AT A GLANCE

(incorporated 2nd December 1986)

- Established by BNM to support the national agenda of increasing home ownership and promoting the development of Malaysia's capital markets
- Development and promotion of Islamic finance within Malaysia

CREDIT RATING

- A3 Stable (Moody's)
- AAA/P1 Stable (RAM Rating Services Berhad)
- AAA/MARC-1 (Malaysian Rating Corporation Berhad)

SHAREHOLDERS

- 100% owned by Cagamas Holdings Berhad, which is 20% owned by Central Bank of Malaysia (BNM), and 80% owned by commercial and investment banks in Malaysia

OBJECTIVES

BUSINESS MODEL

- Through the issuance of conventional and Islamic securities, Cagamas funds the purchase of housing loans and financing through its Purchase With Recourse (PWR) and Purchase Without Recourse (PWOR) schemes
- The provision of liquidity to financial institutions at a reasonable cost to the primary lenders of housing loans encourages further expansion of financing for houses at an affordable cost



WHY CAGAMAS EMBARK ON SUSTAINABILITY JOURNEY?



Support and promote the 17 Sustainable Development Goals (SDGs)



In line with Malaysia's aspiration to achieve net-zero carbon emission by 2050



To support JC3* in building climate resilience within the Malaysia financial sector



Reaffirming and deepening the Company's mission ~ sustainable development



Conversion of Cagamas' funding/ investment activities to aligned with SDGs, COP26 and JC3



JC3 : a platform established by Bank Negara Malaysia and Securities Commission Malaysia comprises 20 industry participants to pursue collaborative actions for building climate resilience within the Malaysia financial sector



SUSTAINABLE DEVELOPMENT GOALS

CAGAMAS SUSTAINABILITY JOURNEY

5 UNSDGs goals that aligned to Cagamas' mandate to promote homeownership and contribute to the nation development

6 CLEAN WATER AND SANITATION



7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH



11 SUSTAINABLE CITIES AND COMMUNITIES



17 PARTNERSHIPS FOR THE GOALS

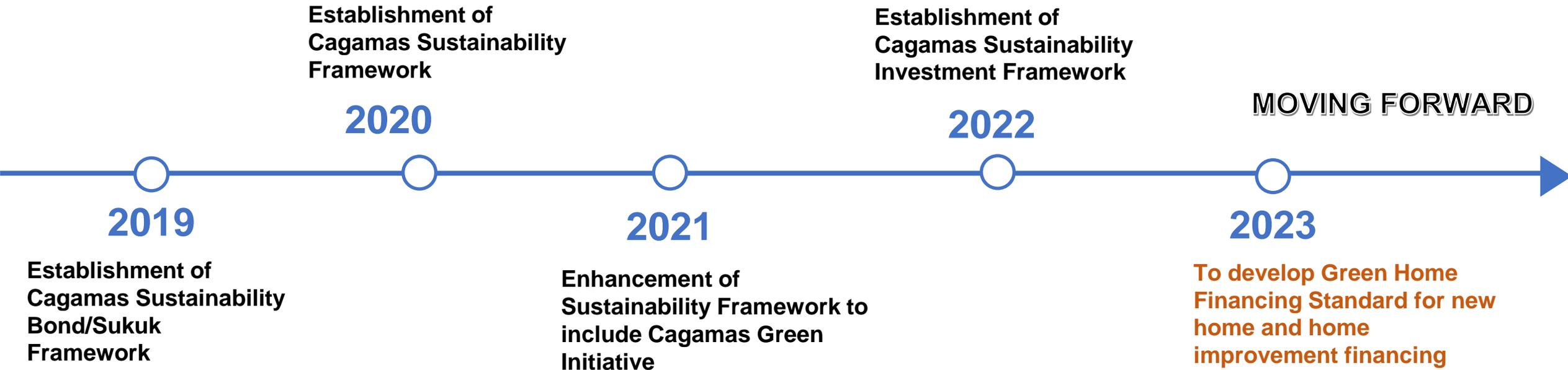




CAGAMAS SUSTAINABILITY ROADMAP



Reaffirming and deepening Cagamas' core mission of providing affordable housing vis-à-vis sustainable development and its responsibilities towards the environment.





CAGAMAS SUSTAINABILITY ROADMAP (cont.)



2019

Establishment of Cagamas Sustainability Bond/Sukuk Framework

- Establishment of Cagamas Sustainability Bond/Sukuk Framework has led to Cagamas
 - Issued Malaysia's first ASEAN Sustainability SRI Sukuk for affordable housing in 2020 &
 - Issued Company's first Sustainability Bonds for SMEs
- Part of Cagamas' commitment to spearhead the development of Malaysia's debt capital market and promotion of Islamic finance.

2020

Establishment of Cagamas Sustainability Framework

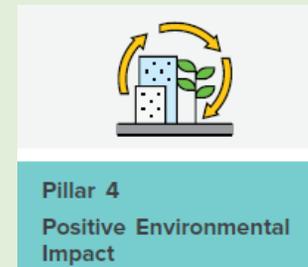
- Issued a blueprint for the Company towards embedding sustainable practices into the Group's business and operations.
- 3 thematic pillars to the framework are:



2021

Enhancement of Sustainability Framework to include Cagamas Green Initiative

- Introduced **Pillar 4: Positive Environmental Impact** to facilitate Cagamas' green agenda initiative.
- Pillar 4 represents our commitment towards climate change mitigation and adaptation and spearhead the provision of green financing for homes and home improvements to consumers.

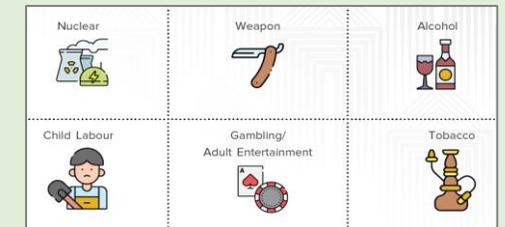


2022

Establishment of Cagamas Sustainability Investment Framework

For the new investment proposal, the issuer will be screened for **exclusion** based on the 6 criteria below :

- Nuclear
- Weapon
- Alcohol
- Tobacco
- Child labour
- Gambling/adult entertainment



ESTABLISHMENT OF CAGAMAS SUSTAINABILITY BOND/SUKUK FRAMEWORK



CAGAMAS SUSTAINABILITY BOND/SUKUK FRAMEWORK

Aligned with local and international principles, standards and guidelines



International Capital Market Association

- Green Bond Principles
- Social Bond Principles
- Sustainability Bond Guidelines



Asean Capital Markets Forum

- ASEAN Green Bond Standards
- ASEAN Social Bond Standards
- ASEAN Sustainability Bond Standards



Securities Commission Malaysia

- Sustainable and Responsible Investment Sukuk framework

Use of proceeds to purchase loans/financing/assets related to:



Renewable energy



Energy efficiency



Green Buildings



Low carbon transportation



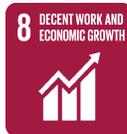
Affordable housing



Sustainable water and wastewater management



Employment generation



LIVING IN A BRIGHTER FUTURE

CAGAMAS SUSTAINABILITY BOND/SUKUK ISSUANCES



To-date, Cagamas has issued **MYR2.5 billion (USD0.6 billion)** of Sustainability Bond and Sukuk in total which comprises of:

- MYR700 million of ASEAN Sustainability Bond
- MYR400 million of ASEAN Sustainability SRI Sukuk
- MYR455 million of ASEAN Social Bond
- MYR935 million of ASEAN Social SRI Sukuk

Proceeds from the issuances were used for the purchase of loans/financing related to:

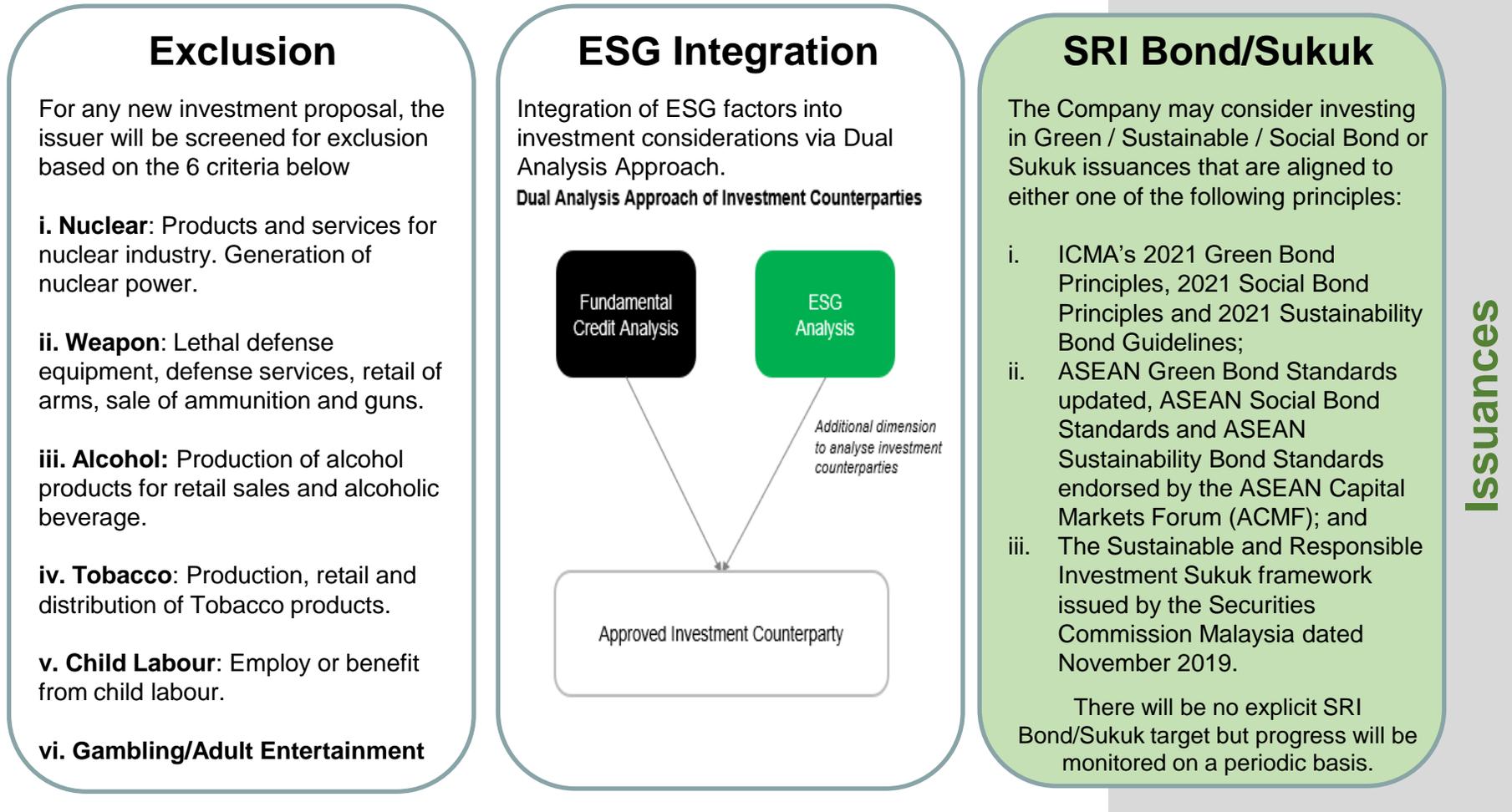
- Affordable Housing
- Small Medium Enterprises
- Renewable Energy
- Wastewater Management

ESTABLISHMENT OF CAGAMAS SUSTAINABILITY INVESTMENT FRAMEWORK



CAGAMAS SUSTAINABILITY INVESTMENT FRAMEWORK

This framework signifies the Company's commitment towards adoption of sustainable practices in its investment activities. It will be based on 2 main approaches: **Exclusion and ESG integration**



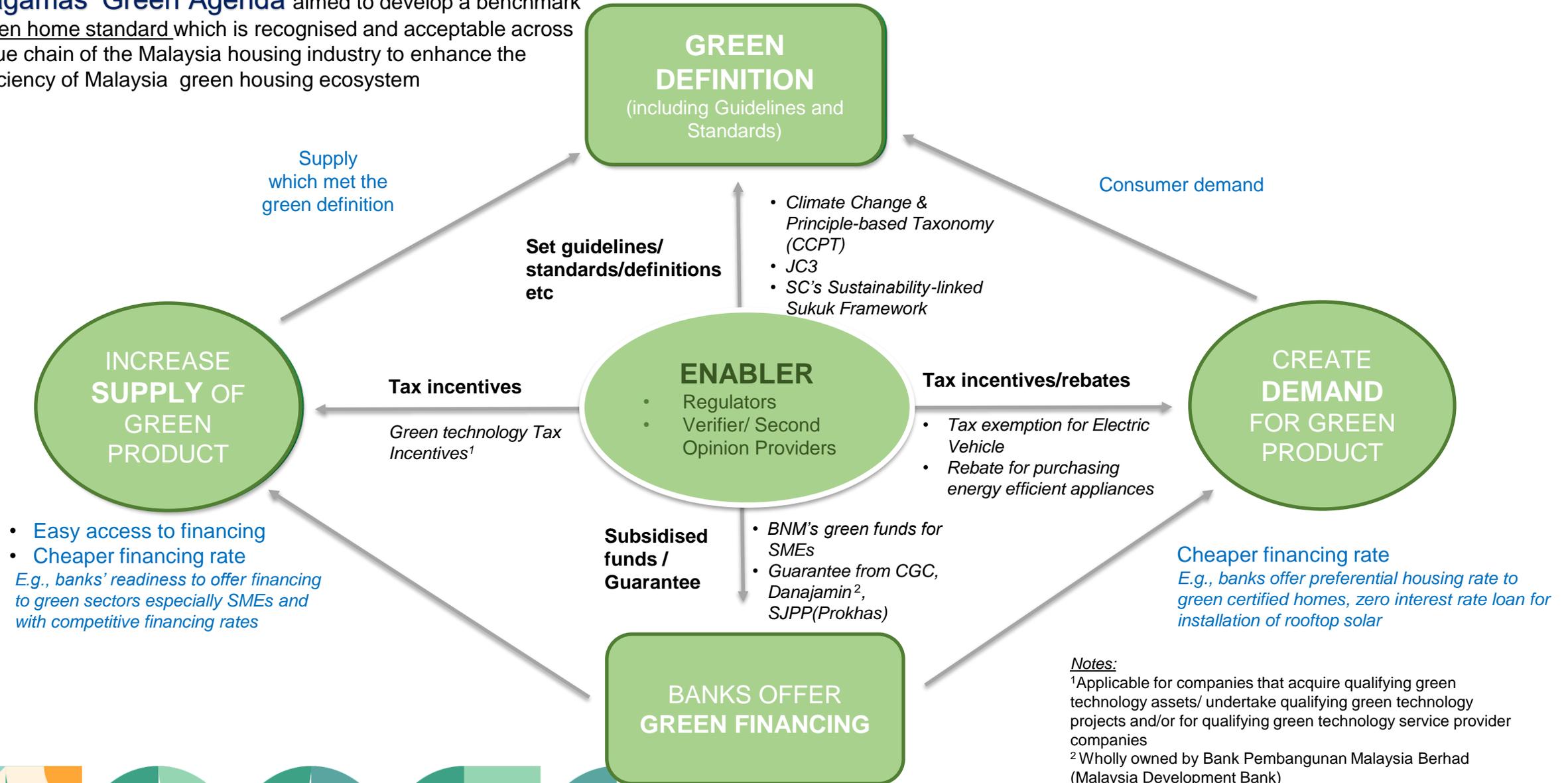
WHAT'S NEXT?

CAGAMAS GREEN AGENDA



EFFICIENT GREEN ECOSYSTEM TO INCREASE BANKS' GREEN PORTFOLIO

Cagamas' Green Agenda aimed to develop a benchmark green home standard which is recognised and acceptable across value chain of the Malaysia housing industry to enhance the efficiency of Malaysia green housing ecosystem



EXPANDING AFFORDABLE HOUSING MANDATE TO INCLUDE GREEN HOUSING

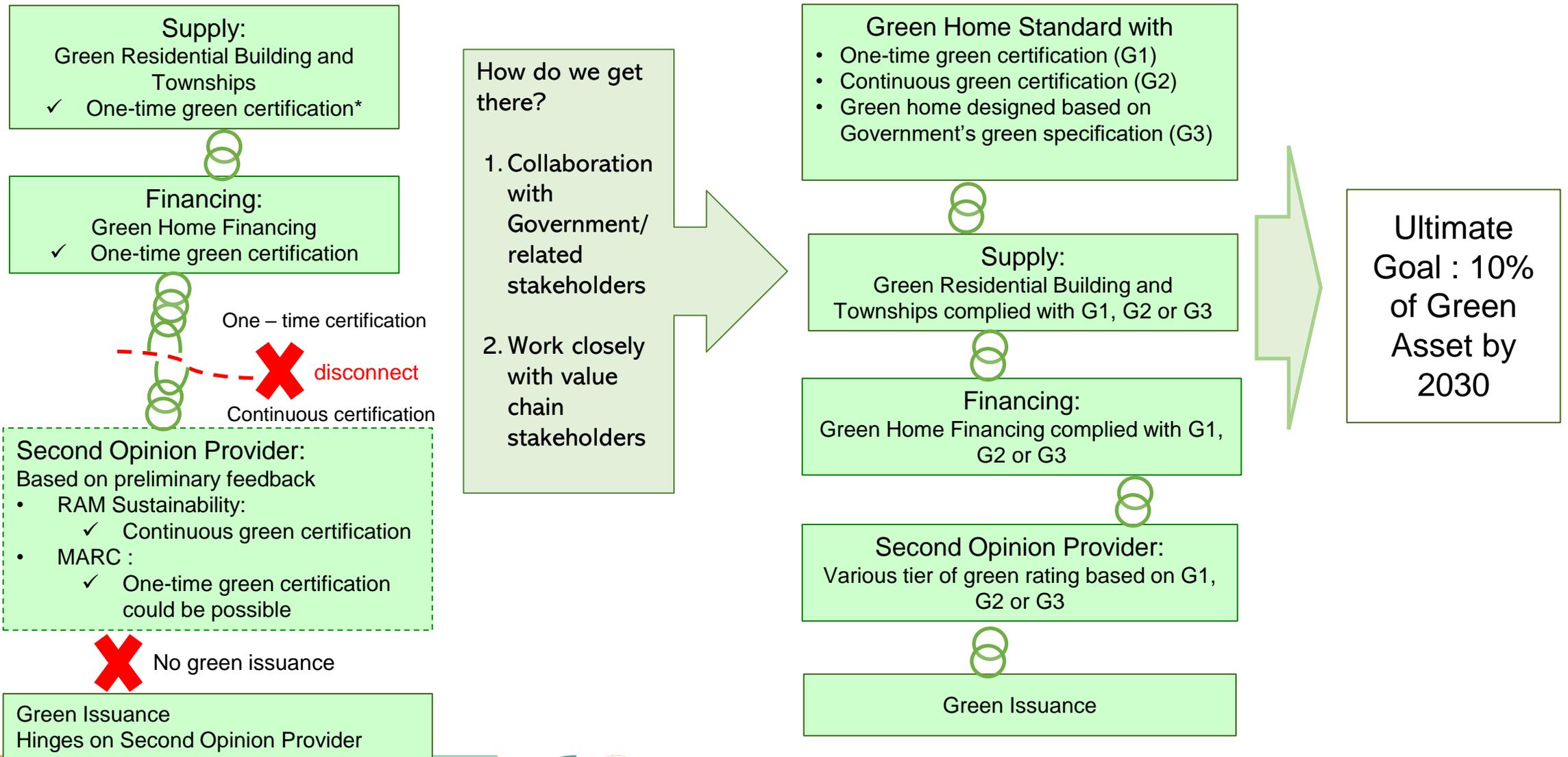


MERGING AFFORDABLE HOME WITH GREEN

- House price may be higher but potential lower energy bills will result in higher disposable income of B40 and M40.
- **Role of Cagamas**
 - As catalyst to promote green home loans with attractive rates/incentives for B40 and M40
 - Bridging the green home loans and green bond market

CHALLENGES : THERE ARE DISCONNECTS ALONG THE VALUE CHAIN

Current Future



*Green certification is to be provided by recognised green certification bodies such as Green Building Index (GBI), GreenRE, LEED and etc.

COOPERATION ON GREEN HOUSING FINANCE

On 21 September 2022, Cagamas and Asian Development Bank (ADB) inked a **Technical Assistance** to identify challenges for scaling up green residential mortgages in Malaysia including for the affordable housing segment and housing in smaller towns



Signing of Memorandum of Understanding between Cagamas and ADB



ABOUT THE TECHNICAL ASSISTANCE

- To overcome the current challenges in the green housing market, Cagamas is working together with ADB on a Technical Assistance to achieve the following:



1. Increase accessibility to green affordable home and make it inclusive to all segments, including the female-headed household



2. Living in a green home reaps potential longer-term benefits of lower utility cost which translates into higher disposable household income for B40 and M40

3. Spearheading the issuance of green bond/sukuk market related to green mortgages



- The TA has an overarching objective to identify the challenges and constraints for scaling up inclusive and green residential mortgages in Malaysia, including the affordable housing segment and housing outside big urban centres and in smaller cities.
- The findings will produce knowledge on how the green mortgage market could be expanded, including to the B40 and M40 and female headed household segments, of which can then be transformed into the issuance of Cagamas green bond/sukuk in future to support these market segments.

AWARDS AND ACCOLADES

2022



Industry Leadership Award



Islamic Issuer of the Year-Quasi-Sovereign



Best Quasi (Sovereign Sukuk)

1.5 billion ringgit triple-tranche commodity Murabaha sukuk



Top Issuance (Conventional)



Top Issuance (All)



GIFA Market Leadership Award (Islamic Securitization)



Top Issuance - Conventional

YEAR 2021



GIFA Market Leadership Award (Islamic Securitization)

YEAR 2021



Islamic Issuer of the Year - Quasi-Sovereign

YEAR 2021



Best ASEAN Sustainability SRI Sukuk - Quasi-Sovereign (Best in Sustainable Finance)

YEAR 2021



Best ASEAN Sustainability SRI Sukuk - Quasi-Sovereign (Best Deals by Country)

YEAR 2021



Best Quasi-Sovereign Sukuk

YEAR 2020

500 million Ringgit Commodity Murabahah Sukuk



GIFA Special Awards (Islamic Financial Advocacy)

YEAR 2020



GIFA Excellence Awards (Islamic Securitisation)

YEAR 2020



Islamic Issuer of the Year-Quasi-Sovereign

YEAR 2020



Top Traded Amount-Conventional

YEAR 2020



Islamic Finance Advocacy Award (Capital Market)

2019



Islamic Issuer of the Year-Quasi-Sovereign

2019



Top Issuance - All

Top Traded Amount - Conventional

2019



Best Local Currency Sukuk

2019

1.5 billion Ringgit Commodity Murabahah Sukuk



Islamic Issuer of the Year-Quasi-Sovereign

2018



Best Quasi-Sovereign Sukuk

2018

Cagamas Dual Re-opening of Three-Year 475 Million Ringgit Sukuk And 525 Million Ringgit Sukuk



Top Bond Issuer - Conventional

Top Traded Amount - Overall

Top Traded Amount - Conventional

2018



Islamic Finance Advocacy Award (Capital Market)

2018



Best Local Currency Sukuk

2017

375 Million Ringgit Commodity Murabahah Sukuk



Best Islamic Issuer-Quasi-Sovereign

2017



Outstanding Contribution for the Development of Shariah-Compliant Mortgage Securitisation

2016



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