



CAGAMAS BERHAD

- ASEAN SUSTAINABILITY BONDS
- ASEAN SUSTAINABILITY SRI SUKUK

UNDER THE MEDIUM TERM NOTES & ISLAMIC MEDIUM TERM NOTES
PROGRAMME OF RM60 BILLION (2007/2067)

SECOND OPINION REPORT 21 September 2020

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ABOUT RAM SUSTAINABILITY

RAM Sustainability Sdn Bhd (RAM Sustainability) is a provider of sustainability services and environment, social and governance (ESG) analytics. Incorporated on 31 May 2000, RAM Sustainability is a wholly owned subsidiary of RAM Holdings Berhad (RAM Group). RAM Sustainability is the first ASEAN-based provider of sustainability ratings and second opinions, and has the distinction of being the first Registered Observer of the International Capital Market Associations' (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines in ASEAN. It is also a member of both ICMA's 2019/2020 New Markets Taskforce and 2019/2020 Advisory Council to the GBP and SBP Executive Committee. On 12 August 2020, RAM Sustainability became an Approved Verifier for the certification of climate bonds under the Climate Bonds Standard & Certification Scheme after having been awarded the status by the Climate Bonds Standards Board. For further details, please refer to <https://www.ram.com.my/sustainability>.

About the RAM Group

The RAM Group is a leading provider of independent credit ratings, research, training, risk analysis and bond pricing. Formerly known as Rating Agency Malaysia Berhad, the RAM Group was established in November 1990 as a catalyst for the domestic debt capital market and as the nation's first credit rating agency. On 1 July 2007, its rating operations were novated to RAM Rating Services Berhad (RAM Ratings). RAM Ratings is a wholly owned subsidiary of the RAM Group.

RAM Ratings is the leading and largest credit rating agency in both Malaysia and ASEAN. Established in 1990 by the central bank of Malaysia as part of the "institutional infrastructure" to support the development of Malaysia's bond market, RAM Ratings has rated over USD400 billion of bonds issued by over 500 entities based in Malaysia and 13 other countries. Its rating portfolio encompasses corporates, sovereign nations, financial institutions, insurance companies, project finance and structured finance obligations.

RAM Ratings is also the world's leading rating agency for securities issued under Islamic principles, or sukuk. RAM Ratings' experience in and contributions to the fast-growing sukuk market has won numerous awards, including *Best Rating Agency* (South-East Asia 2017) from CPI Financial and *Best Islamic Rating Agency* in 2016 from Islamic Finance News. Accredited by the Tokyo Stock Exchange for listings on the Japanese Pro-Bond Market, RAM Ratings also offers ratings on the ASEAN and global rating scales, in addition to the Malaysian national scale. On 26 May 2016, RAM Ratings joined the line-up of pioneer credit rating agency signatories to the United Nations-supported Principles for Responsible Investment's Statement on ESG in Credit Ratings. The Statement on ESG in Credit Ratings is a way for RAM Ratings to communicate its commitment to a more systematic and transparent incorporation of ESG into credit ratings and analysis.






The latest addition to the RAM Group, RAM Solutions Sdn Bhd, was founded in 2016 and provides independent credit opinions on ventures listed on a multi-bank, web-based platform known as the Investment Account Platform (IAP). As an associate of RAM Holdings, Bond Pricing Agency Malaysia Sdn Bhd is the sole provider of bond-pricing and valuation data on the Malaysian bond market. The RAM Group also organises capital markets professional training, educational courses and conferences. For further details, please refer to <https://www.ram.com.my>



Cagamas Berhad's (Cagamas or the Issuer) ASEAN Sustainability Bonds/SRI Sukuk Framework (the Framework) is aligned with the transparency and disclosure requirements of Securities Commission Malaysia's Sustainable & Responsible Investment (SRI) Sukuk Framework, the ASEAN Green Bond Standards (ASEAN GBS), the ASEAN Social Bond Standards (ASEAN SBS), the ASEAN Sustainability Bond Standards (ASEAN SUS) and the globally recognised Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG). Cagamas' Framework is clearly defined and provides clarity on important aspects such as the intended use of proceeds, project evaluation and selection, management of proceeds and reporting commitments.



Cagamas, the national mortgage corporation of Malaysia, was established by Bank Negara Malaysia (BNM or the central bank of Malaysia) in 1986, to support the national agenda of affordable home ownership by providing liquidity in the domestic secondary mortgage market. Cagamas' ASEAN Sustainability Bonds/SRI Sukuk will be issued to purchase eligible loans/financing/assets. The Framework facilitates financing for projects and solutions that are important for a sustainable future. Issuance proceeds will be used to purchase loans/financing/assets in green and social project categories: renewable energy, energy efficiency, green buildings, low-carbon transportation, sustainable water and wastewater management, affordable housing and employment generation via SMEs. RAM Sustainability opines that the bonds/sukuk issued under the Framework will make a positive contribution to Malaysia's commitment to sustainable development while generating a positive impact on climate, the environment and society in general.

RAM Sustainability's Environmental Benefit assessment tiers projects and solutions based on their overall contributions to a 2-Degree Scenario (2DS) and broader environmental benefits. Tier ratings have been assigned to five applicable solutions within the Framework, which are vital for a low-carbon and environmentally friendly future. Top-tiered projects comprise technologies that contribute to substantial decarbonisation of the energy system.

No.	Cagamas' Eligible Loan/Financing/Asset Category	RAM Sustainability Environmental Benefit Rating
1	Renewable Energy	 Environmental Benefit Tier-1
2	Energy Efficiency	 Environmental Benefit Tier-1
3	Low-Carbon and Low-Emission Transportation	 Environmental Benefit Tier-2
4	Sustainable Water and Wastewater Management	 Environmental Benefit Tier-2
5	Green Buildings	 Environmental Benefit Tier-3

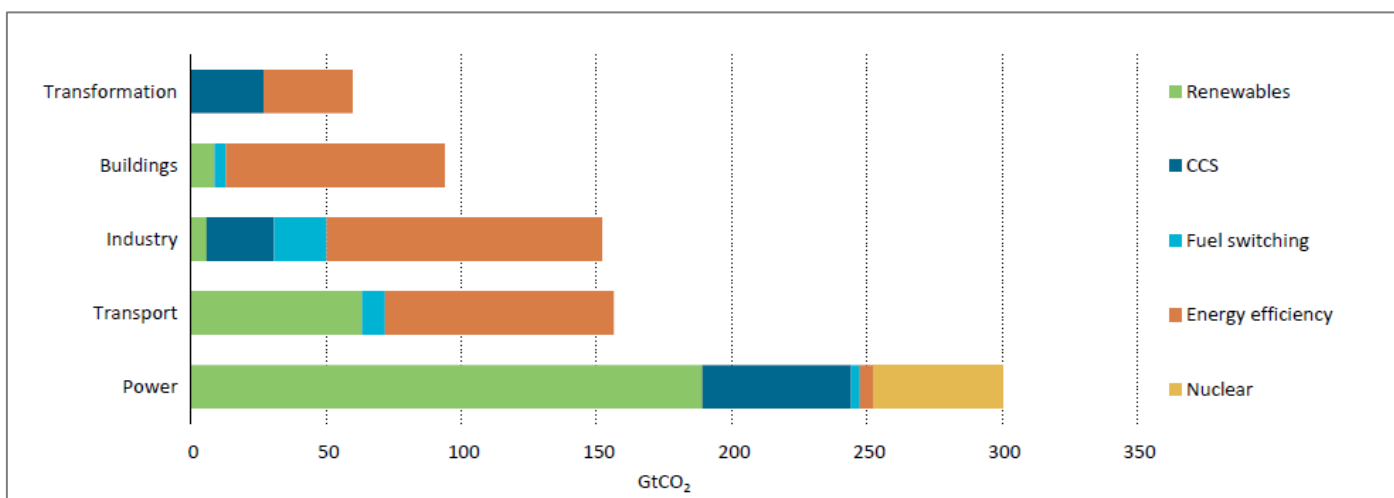
SUMMARY OF SECOND OPINION ON CAGAMAS'ASEAN SUSTAINABILITY BONDS/SRI SUKUK

At the same time, RAM Sustainability has also assigned Social Benefit tier ratings to social solutions under the Framework. We have assigned Tier-1 Social Benefit ratings to Cagamas' affordable housing and employment generation for SME solutions, reflecting the importance of these socio-economic agendas in Malaysia. The assigned ratings are also underpinned by the strategic role that Cagamas, as a national institution, can play in supporting social benefits at the national level on a potentially significant scale, depth and duration.

No.	Cagamas' Eligible Loan/Financing/Asset Category	RAM Sustainability Social Benefit Rating
1	Affordable Housing	 Social Benefit Tier-1
2	Employment Generation via SMEs	 Social Benefit Tier-1

Climate change represents a fundamental threat to the planet and society, and is transforming life on Earth. The effects of climate change are wide-ranging and can be observed everywhere in our biosphere. The COP21 sets a global action plan for the 197 participating governments, including the Government of Malaysia (GoM), to limit global warming to well below 2°C above pre-industrial levels. In addition, these countries have committed to the United Nations' 17 Sustainable Development Goals that could transform the world by addressing areas of critical importance to the planet and society. The International Energy Agency has identified the industries for which reductions in carbon emissions should be targeted for achievement by 2050. A portfolio of low-carbon technologies is needed to reach 2DS; some solutions will be broadly applicable while others will need to target specific sectors.

Figure 1: Cumulative CO₂ reduction by sector and technology in 2DS, up to 2050



Source: Energy Technology Perspectives 2017, International Energy Agency

The ultimate objective of green bonds/sukuk is to facilitate the financing of environmentally friendly solutions that can help mitigate the effects of climate change and/or create value for the surrounding ecosystem. RAM Sustainability's green bonds/sukuk evaluation is a qualitative and quantitative assessment of the contributions of a project or financing facility to a low-carbon, sustainable future. The transparency and disclosure strength of the green bonds/sukuk is also a key consideration. RAM Sustainability's Environmental Benefit assessment can be categorised as follows:

RAM Environmental Benefit Tier-1

- The project/financing is an important component of a low-carbon future and has clear, demonstrable environmental benefits.
- The project/financing directly contributes towards substantial and sustainable reductions of greenhouse gas emissions.

RAM Environmental Benefit Tier-2

- The project/financing is aligned with the goals of a low-carbon future and has some demonstrable environmental benefits.
- The project/financing directly contributes towards improvement in greenhouse gas emissions.

RAM Environmental Benefit Tier-3

- The project/financing has minimal contribution to a low-carbon future and has minimal demonstrable environmental benefits.
- The project/financing indirectly contributes to the broader environment and is focused on asset-level environmental improvements.

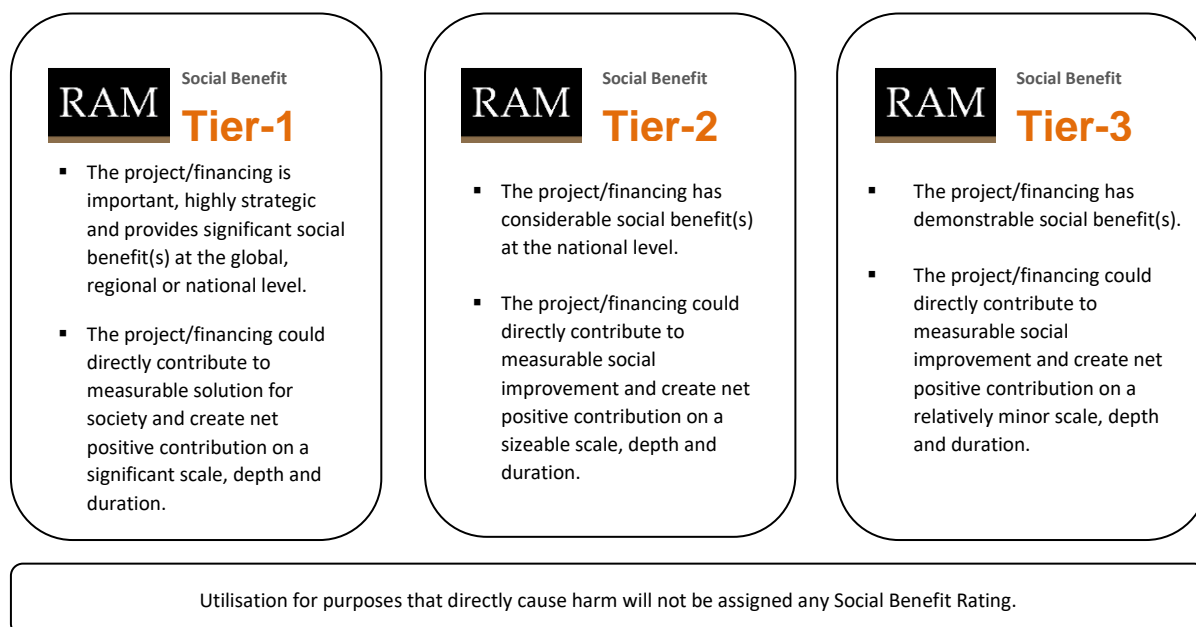
Projects/financing that do not conform with the long-term vision of 2DS reaffirmed under COP21 will not be assigned any Environmental Benefit rating.

RAM SUSTAINABILITY'S SOCIAL BENEFIT ASSESSMENT AND DEFINITION

Besides seeking solutions to concerns about climate change and the environment, an important facet of sustainability includes addressing social well-being in an increasingly more complex and diverse environment. Social well-being can typically be linked to inclusive economies that reduce poverty levels, coupled with the availability of health, education, clean water, sanitation and energy services, affordable housing, and other social improvements, including equality. A social bond/sukuk is an instrument that can finance such an agenda.

RAM Sustainability's social bonds/sukuk evaluation is a quantitative and qualitative assessment of a project or financing's potential contribution to social solutions. RAM Sustainability considers the strategic importance of the project or financing and its direct and measurable social benefits. The project or financing's scale, depth and duration are also key considerations.

RAM Sustainability's Social Benefit assessment can be categorised as follows:



1. SCOPE AND OBJECTIVES

RAM Sustainability assesses the Framework against the sustainability responsibilities and disclosure requirements of the following guidelines and standards:

- The SC's **SRI Sukuk Framework**¹
- The ASEAN Capital Market Forum's (ACMF) **ASEAN GBS**²
- The ACMF's **ASEAN SBS**³
- The ACMF's **ASEAN SUS**⁴
- The International Capital Market Association's (ICMA) **GBP**⁵
- The ICMA's **SBP**⁶
- The ICMA's **SBG**⁷

Our assessment relies on public information and data provided by the Issuer. We have not undertaken any audit or other related activity to ascertain the validity or accuracy of the information provided.

2. CORPORATE PROFILE

Cagamas, the national mortgage corporation of Malaysia, was established by BNM on 2 December 1986, to support the national agenda of affordable home ownership by providing liquidity in the domestic secondary mortgage market. Cagamas issues corporate bonds and sukuk to finance the purchase of eligible housing loans/financing from financial institutions and non-financial institutions.

The Issuer is a 100%-held subsidiary of Cagamas Holdings Berhad (the Group), a public limited company owned by BNM (20%) and 23 financial institutions (80%) in Malaysia. Please refer to **Appendix 1** for a complete list of all the shareholders of Cagamas Holdings. **Diagram 1** highlights the Group's structure:

¹ Chapter 7 of Part 3 of Section B of the *Guidelines on Unlisted Capital Market Product* issued by the SC (SRI Sukuk Framework). The SRI Sukuk Guidelines were launched by the SC in August 2014, to facilitate the financing of assets and projects with sustainable benefits. The SRI Sukuk Framework was updated on 26 November 2019.

² The ASEAN GBS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Green Bonds. The ASEAN GBS had been developed based on the ICMA's GBP, and were issued in November 2017. The document was subsequently updated in October 2018. The ASEAN GBS are meant for issuers that intend to issue green bonds within the ASEAN region.

³ The ASEAN SBS, developed by the ACMF, are aimed at enhancing the transparency, consistency and uniformity of ASEAN Social Bonds. The ASEAN SBS had been developed based on the ICMA's SBP, and were issued in October 2018. The ASEAN SBS are for issuers that intend to issue social bonds within ASEAN.

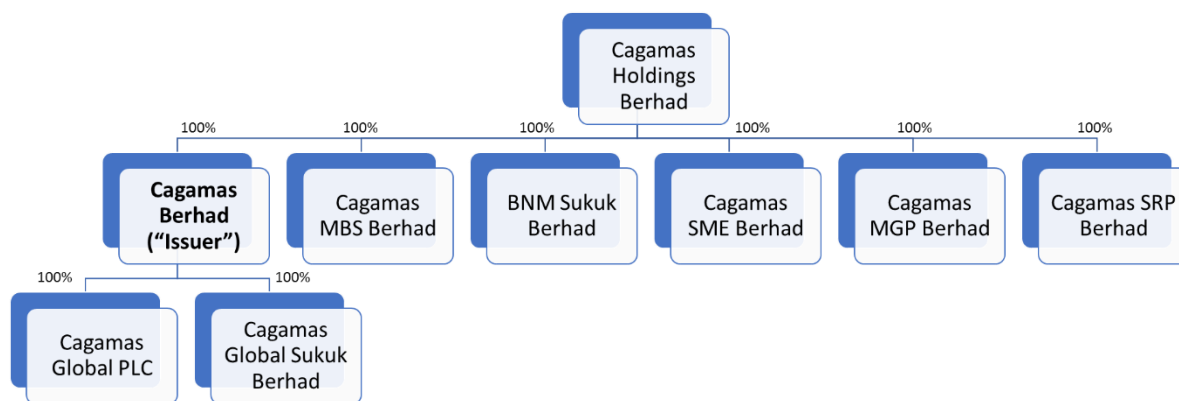
⁴ The ASEAN SUS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Sustainability Bonds. The ASEAN SUS had been developed based on the ICMA's SBG, and were issued in October 2018. The core components of the ASEAN GBS and ASEAN SBS also apply to ASEAN Sustainability Bonds.

⁵ The GBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in June 2016 and updated in June 2018. The GBP are meant for broad use by a variety of participants in the green bond market, to facilitate the flow of financing to climate-friendly solutions.

⁶ The SBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in June 2016 and updated in June 2018. The SBP are meant for broad use by a variety of participants in the social market, to facilitate funding for projects that address global social challenges.

⁷ The SBG, developed by the ICMA, are guidelines for the confirmation of the relevance of the GBP and the SBP, as well as to improve the application of their guidance on transparency and disclosure measures for the Sustainability Bond Market. The core components of the GBP and the SBP also apply to Sustainability Bonds.

Diagram 1: Corporate Structure of Cagamas



3. REVIEW OF ASEAN SUSTAINABILITY BONDS/SRI SUKUK FRAMEWORK

The focus areas reviewed are grouped under the four principles embedded in the following applicable standards and guidelines - **the SRI Sukuk Framework, the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP and the SBG**:

Table 1: Focus Areas Under the Four Principles

Item	Focus Area
3.1	Utilisation of proceeds
3.2	Project evaluation & selection
3.3	Management of proceeds
3.4	Reporting commitments

For detailed comparisons, please refer to **Appendix 2** for the SRI Sukuk Framework Checklist, **Appendix 3** for the ASEAN SUS Checklist, and **Appendix 4** for the SBG External Review Form.

3.1. Utilisation of Proceeds

Several categories of eligibility for green and social projects are recognised under the SRI Sukuk Framework, the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP and the SBG. Broadly defined, green projects refer to innovative, climate-friendly projects that help to deliver clear environmental benefits. On the other hand, social projects refer to solutions that are geared towards positive societal outcomes for a target population group. Table 2 below maps out the alignment of loan/financing/asset categories under the Framework with the applicable green, social and sustainability standards and guidelines.

Table 2: Conformity Assessment of Cagamas' Loan/Financing/Asset Categories

Cagamas' Loan/Financing/Asset Categories	National Guideline	Regional Guideline			International Guidelines		
	SRI Sukuk Framework ⁸	ASEAN GBS	ASEAN SBS	ASEAN SUS	GBP	SBP	SBG
Renewable Energy	√	√		√	√		√
Energy Efficiency	√	√		√	√		√
Green Buildings	√	√		√	√		√
Low Carbon and Low Emission Transportation	√	√		√	√		√
Sustainable Water and Wastewater Management	√	√		√	√		√
Affordable Housing	√		√	√		√	√
Employment Generation via SMEs	√		√	√		√	√

⁸ As per the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework

The utilisation of Cagamas' proceeds is deemed consistent with international best practices on sustainable finance, particularly in the following aspects:

Renewable Energy - Hydropower

Given the sensitivity of hydropower as a renewable energy source, detailed considerations such as the size and type of eligible hydropower financing have been provided by Cagamas. Cagamas classifies hydropower renewable energy as that produced by small hydropower plants under 30 MW.

Green Buildings

Accepted green building standards/certifications are defined in the Framework. Listing out widely accepted green building standards promotes transparency and clarity in the selection process for green buildings. Green buildings such as LEED and BREEAM are widely recognised internationally. In addition, due consideration has been given to national-level green building standards such as the Green Building Index (GBI) and GreenRE.

Exclusionary Criteria

Exclusionary criteria determine specific activities that will not be considered in the portfolio. Consistent with the ASEAN GBS and the ASEAN SBS, Cagamas has excluded loans/financing/assets related to fossil fuel, weapons, alcohol, tobacco and gambling. Other typical exclusions from green and social bond frameworks have also been added, such as nuclear energy, child labour and adult entertainment.

Alignment of Eligible Loan/Financing/Asset Categories with relevant United Nations Sustainable Development Goals (SDGs)

In tandem with the rise of sustainable finance, the SDGs have been widely adopted by many financial market participants since their launch in 2015. For many institutional investors, the SDGs provide a harmonised structure to align investments with key sustainability issues that affect the world today. Cagamas' eligible loan/financing/asset categories are aligned with the relevant SDGs.

3.2. Project Evaluation & Selection

The Eligible Loan/Financing/Asset Categories will be provided to financial institutions and non-financial institutions (the Approved Seller). Using them, the Approved Seller will undertake the necessary evaluation and provide Cagamas a list of Eligible Loans/Financing/Assets that comply with the predetermined categories. The Approved Seller must ensure that the loans/financing/assets sold to Cagamas meet the prescribed Eligible Loan/Financing/Asset Categories. This requirement is stipulated under Warranties and Covenants in the Master Sale & Purchase Agreement. The Approved Seller must also provide the necessary supporting documentation to Cagamas, to ensure the loans/financing/assets are aligned with these categories.

In line with best practices for evaluation and selection, Cagamas will consider ESG standards or other recognised best practices applied by the Approved Seller within its business operations and strategy to manage any material environmental or social risk relating to the Eligible Loans/Financing/Assets.

After conducting the processes above, approval will be obtained from the Asset Liability Committee (ALCO) to issue ASEAN Sustainability Bonds/SRI Sukuk to purchase the identified Eligible Loans/Financing/Assets. The ALCO comprises senior management personnel from the organisation and is chaired by the CEO of Cagamas.

3.3. Management of Proceeds

The proceeds from the ASEAN Sustainability Bonds/SRI Sukuk will be **immediately** used to purchase the eligible loans/financing/assets. Upon the utilisation of such proceeds, the portfolio of purchased loans/financing will be maintained and monitored by Cagamas' internal loan-management system. In the event the designated loans/financing/assets cease to fulfil the criteria of the Eligible Categories, Cagamas will use its best efforts to ensure replacements with applicable loans/financing/assets that match the predefined Eligible Loan/Financing/Asset Categories.

3.4. Reporting Commitments

Transparency in reporting is an important aspect of a Sustainability Bond/Sukuk issuance. Issuers of Green, Social and Sustainability Bonds are required to establish a formal process to communicate the allocation of proceeds and the positive impact created. Cagamas is committed to publishing an Annual Sustainability Progress Report that provides such information, subject to confidentiality and availability of information. This report will be made publicly available via Cagamas' website (www.cagamas.com.my).

Table 3: Cagamas' Reporting Commitments

Allocation Reporting		<ul style="list-style-type: none"> ▪ The aggregate amount allocated to the various Eligible Loans/Financing/Assets Categories ▪ Remaining balance of funds which have not yet been allocated (if any) ▪ Examples of Eligible Loans/Financing/Assets (subject to confidentiality disclosures)
Impact Reporting	Renewable Energy	<ul style="list-style-type: none"> ▪ KWh of power generated from renewable energy ▪ Tonnes of carbon emissions avoided ▪ Installed capacity (MW) ▪ Number and location of renewable energy facilities
	Energy Efficiency	<ul style="list-style-type: none"> ▪ KWh of energy saved per year ▪ Percentage of energy savings achieved
	Green Buildings	<ul style="list-style-type: none"> ▪ Energy consumption disclosed by absolute consumption and intensity (KWh and KWh/m²) ▪ Calculated carbon footprint disclosed by absolute emissions and intensity (tonnes and tonnes/m²) ▪ List of eligible buildings that received third party verified green building certification
	Low Carbon and Low Emission Transportation	<ul style="list-style-type: none"> ▪ Tonnes of CO₂ (or other GHG) avoided ▪ Km of tracks built ▪ Number of passengers ▪ Number of electric/hybrid/low emission vehicles provided
	Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> ▪ Amount of water saved (m³) ▪ Amount of wastewater treated (m³) ▪ Water withdrawals or treatment capacity (m³ per day)
	Affordable Housing	<ul style="list-style-type: none"> ▪ Number of houses/households/residents
	Employment Generation via SMEs	<ul style="list-style-type: none"> ▪ Number of SMEs financed ▪ Type of SME ▪ Number of jobs created

Impact-Reporting Indicators

Impact reporting serves to illustrate the environmental and social benefits of the various financed projects. The Issuer's reporting commitments are consistent with the observed disclosures in the green, social and sustainability bond market.

Disclosure of Methodology to Calculate GHG Emissions Avoided

For green projects, data on greenhouse gas (GHG) emissions is a commonly used indicator to evaluate their environmental impact. For additional transparency in the impact report, industry practice encourages the disclosure of the methodology and emission conversion factors used to calculate avoided GHG emissions. Various GHG emission calculation methodologies currently exist in the marketplace.

Post-Issuance Verification

Post-issuance verification promotes greater confidence in the integrity of the disclosures, and reassures stakeholders that these disclosures are reliable. Cagamas is committed to obtain external assurance to validate the accuracy of its Annual Sustainability Progress Report, and to confirm the alignment of its practices with the Framework. The related assurance report vis-à-vis the Annual Sustainability Progress Report will be made available on its corporate website (www.cagamas.com.my).

4. SUSTAINABILITY ASSESSMENT

4.1. National-Level Drivers

The ASEAN Sustainability Bonds/SRI Sukuk issued under Cagamas' Framework enable the financing of a wide range of industries and sectors. RAM Sustainability opines that Cagamas' ASEAN Sustainability Bonds/SRI Sukuk will support the following national-level objectives and plans that are related to the areas defined under the Eligible Loan/Financing/Asset Categories:

Table 4: National-Level Objectives and Plans

Loan/Financing/Asset Category	National-Level Objectives and Plans
Renewable Energy	The Government of Malaysia (GoM) aims to increase the proportion of renewable energy (RE) to 20% by 2025. Enacted in 2011, the Renewable Energy Act is aimed at increasing the contribution of clean and renewable energy sources such as solar photovoltaic, biomass, biogas and hydro in Malaysia's electricity generation mix. An important driver of the RE industry is the feed-in tariff mechanism implemented and managed by the Sustainable Energy Development Authority of Malaysia. This mechanism supports the growth of the RE industry by providing guaranteed long-term contracts for power generated by RE sources.
Energy Efficiency	Through the National Energy Efficiency Action Plan 2016-2025, the GoM aims to reduce electricity consumption in Malaysia by 8% by 2025 across the industrial, commercial and residential sectors. Various initiatives have been undertaken by the GoM to support energy-efficiency objectives, including the implementation of Minimum Energy Performance Standards (MEPS) for selected electrical appliances and motors, increasing energy audits and management in commercial, industrial and government facilities, and promoting energy-efficient building designs.
Green Buildings	Malaysia has developed two national-level green rating tools for buildings, i.e. GBI and GreenRE. Both rating tools assess a building's performance with respect to specific environmental considerations (i.e. energy efficiency, carbon emissions, water efficiency).
Low-Carbon and Low-Emission Transportation	To reduce the environmental impact from transportation systems, the Malaysian national transportation and automotive policies have incorporated plans for green and environmentally sustainable transportation solutions. The National Transport Policy 2019-2030 is focused on developing an efficient, integrated and sustainable transport system. Meanwhile, the next update on the National Automotive Policy is expected to further incentivise the production of energy-efficient vehicles in the country. The implementation of mega public rail transportation projects such as the Mass Rapid Transit and Light Rail Transit systems are also anticipated to reduce on-road vehicles and improve connectivity.
Sustainable Water and Wastewater Management	As per the National Green Technology Master Plan, Malaysia aspires to achieve the following water-management targets: <ul style="list-style-type: none">(i) Improve the fresh-water abstraction⁹ rate to 15% by 2030.(ii) Make available rainwater harvesting systems for 60% of the towns in Malaysia by 2020.(iii) Recycle 100% of sludge and 33% of treated effluents by 2030.(iv) Implement the Water Efficient Product Labelling Scheme to enhance consumer awareness.

⁹ Also known as water withdrawals, defined as fresh water drawn from the ground or other surface water bodies.

Loan/Financing/Asset Category	National-Level Objectives and Plans
Affordable Housing	Affordable housing has long been a key agenda for both the federal and state governments in Malaysia. Various affordable housing and financial schemes have been established to assist Malaysians to purchase their first homes. BNM is focused on addressing issues pertaining to home ownership and affordability. The strategies identified by BNM include: (i) the centralisation of affordable housing agencies and the establishment of an integrated housing database; (ii) reduction of cost barriers to affordable housing; (iii) enhancement of financial literacy of households; and (iv) improvement of the legal framework between home owners and renters.
Employment Generation via SMEs	<p>Malaysia's SME Master Plan outlines three key goals for the sector by 2020, i.e. to increase SMEs' contributions to GDP to 41% (from 32% in 2010), to raise employment opportunities among SMEs to 62% (from 59% in 2010)¹⁰ and expand SMEs' share of exports to 25% (from 19% in 2010).</p> <p>The following initiatives outlined in the Eleventh Malaysia Plan are devised to accelerate the growth of SMEs:</p> <ul style="list-style-type: none"> (i) Strengthening the human capital of SMEs by enhancing the curriculum for vocational education. (ii) Implementing an accreditation system to ensure new workforce entrants meet industry requirements. (iii) Improving the ease of doing business by simplifying the process of establishing and formalising businesses. <p>Given the significance of the SME sector to the country, the GoM has established various financing schemes and facilities under the Prihatin Rakyat Economic Stimulus Package (PRIHATIN) and the National Economic Recovery Plan (PENJANA) to support the sector following the impact of COVID-19 in the country.</p>

4.2. Group-Level Assessment

Supporting Sustainable Economic Activities and Financing

Since Cagamas' establishment, it has played a national developmental role in providing liquidity in the secondary mortgage market to support home ownership and developing Malaysia's capital market. To promote a wider sustainable development agenda, it aims to diversify its business into green and social impact loans/financing/assets. Through its ASEAN Sustainability Bonds/SRI Sukuk, Cagamas aims to continue its national role by providing liquidity to the green and social financing market to support the domestic transition towards more inclusive and green economic activities.

Review of Policies and Guidelines

The Issuer has established a Code of Conduct and Ethics, which articulates the expected standards of behaviour for all employees. In addition, Cagamas is guided by other board-approved policies such as its Procurement Policy, Gift and Entertainment Policy, Whistleblowing Policy, and Confidentiality Guidelines. Diversity, inclusion, health and safety are important sustainability themes in today's business environment. To manage these aspects, Cagamas has established policies and guidelines such as Workplace Sexual Harassment, Grievance & Complaint, Misconduct & Staff Discipline; and Health & Safety.

Environmental and Social Initiatives

Cagamas has been publishing its Corporate Social Responsibility (CSR) Statement in its annual reports since 2016. The Issuer's CSR initiatives are governed by its Communication Policy and Donation Policy. These include donations to the less fortunate, sponsoring a scholarship programme, educational workshops and other philanthropic efforts. In addition, Cagamas has established various measures to create a more

¹⁰ In 2019, the denominator i.e. total employment figure has been revised to include the government, informal sector including the agriculture sector, unregistered businesses in the agriculture sector and outsourcing activities in computing (Source: *Share of SMEs in the Malaysian Economy Expanded Further in 2019* published by Ministry of Entrepreneur Development and Cooperatives on 3 August 2020)

environmentally friendly workplace, including converting light bulbs to energy-efficient LED lighting. Cagamas also aims to reduce dependency on paper and styrofoam utensils in its pantries, providing dedicated recycling bins in the office space. Furthermore, awareness programmes have been set up to educate employees on the importance of waste reduction and recycling as well as energy conservation.

RAM Sustainability opines that it is important for corporations to develop holistic and integrated sustainability strategies that encompasses long-term sustainability visions, objectives and commitments; regular and systematic consultation with identified stakeholders on important sustainability issues; a robust governance and accountability mechanism to operationalise sustainability; identification of key systems and processes to manage sustainability; and regular reporting of performance indicators relative to established targets.

To date, Cagamas has established a Sustainability Committee to provide strategic guidance on operationalising sustainability. We opine that this is an important step towards developing a more comprehensive sustainability strategy and management programmes for the organisation.

Controversy Scan

RAM Sustainability undertook a scan of Cagamas on 1 July 2020. We did not observe any controversy pertaining to the environmental, social and governance practices of the Issuer.

4.3. Sustainability Management

This section assesses the overall management approach to integrating sustainability considerations within the Issuer's risk-assessment and decision-making processes.



Established Risk Management



Controls have been incorporated to address financial risks, ensure regulatory compliance and screening of clients. The Issuer has stipulated credit limits for all counterparties based on internal credit assessment – a combination of credit ratings, counterparty requirements and overall business strategies. In addition, the Issuer conducts annual reviews on risk appetite and concentration risk, periodic stress testing and capital planning. Cagamas has established an Enterprise Risk Management framework focused on four key objectives: (i) achieving strategic high-level goals; (ii) effective and efficient operations; (iii) financial profitability and sustainability of performance; and (iv) reliability of reporting and compliance processes. Subject to confidentiality and availability of information, Approved Seller must provide supporting documents or confirmations to Cagamas as evidence for the loans/financing/asset's eligibility under the ASEAN Sustainability Bonds/SRI Sukuk Framework.

4.4. Creation of Positive Impact by Bonds/Sukuk



Financial institutions play a key role in mobilising and directing capital in the financial markets. Capital flows towards low-carbon solutions and projects that generate positive social impact can help accelerate the transition towards a green and inclusive economy. The bonds/sukuk under Cagamas' Framework help to support financing to an extensive range of industries and sectors. The following are positive effects that can be expected based on the areas defined under the Eligible Loan/Financing/Asset Categories:

Table 5: Positive Impact Created by Eligible Loan/Financing/Asset Categories and Alignment with SDGs and Targets

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Renewable Energy	Climate change is an urgent planetary threat and may have costly repercussions on communities and global economies. Approximately two-thirds of the world's GHG emissions today can be attributed to energy production and systems. Therefore, the energy sector plays a critical role in global efforts to mitigate the effects of climate change. The transition towards low-carbon energy systems is already happening. RE provides a means to generate electricity from clean and sustainable sources such as sunlight, wind, water, biomass and other renewable resources. The deployment of RE solutions has the potential to significantly reduce the GHG emission intensity of the global energy system. As such, investments in RE ought to be scaled up so the world can achieve the emission reduction goals set out in the Paris Climate Accord. RAM Sustainability opines that innovative RE systems will be a key component in the building of a low-carbon future. According to the International Renewable Energy Agency, renewable sources could constitute 65% of global energy use by 2050.	 <p>7.2 - By 2030, substantially increase the share of RE in the global energy mix.</p> <p>7a - By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including RE, energy efficiency, and advanced and cleaner fossil-fuel technology, as well as promote investment in energy infrastructure and clean energy technology.</p>
Energy Efficiency	<p>To limit the rise in average global temperatures below 2°C, significant investments must be deployed to climate-friendly technologies that meet medium- and long-term goals. In today's carbon-intensive infrastructure, solutions must also aim to improve the energy efficiency of multiple end-use sectors such as industrial, transport and building.</p> <p>As such, innovations to improve energy efficiency can be considered as low-carbon solutions. These technologies help to reduce demand for energy consumption, therefore displacing carbon-emitting fossil fuels in our energy systems. Furthermore, improved energy efficiency can help increase productivity because greater economic gains can be derived from every unit of electricity produced.</p>	 <p>7.3 - By 2030, double the global rate of improvement in energy efficiency.</p> <p>7a - By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including RE, energy efficiency, and advanced and cleaner fossil-fuel technology, as well as promote investment in energy infrastructure and clean energy technology.</p>

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Green Buildings	<p>The built environment consumes a significant amount of energy and produces carbon dioxide (CO₂) emissions during its long life cycle. The Global Alliance for Buildings and Construction estimates that nearly a quarter of global greenhouse gases can be attributed to buildings. Many green building certifications/standards have been developed to objectively measure the environmental performance of a building. These standards also provide important prescriptions for sustainable design and construction. Green buildings have a smaller environmental footprint and incorporate design features that address energy efficiency, air pollution, waste management, water consumption, construction materials and other sustainability considerations. Therefore, green buildings can be effective tools in reducing the impact of buildings on climate change and may provide significant opportunities for energy, water and resource savings. According to the US Green Building Council, the average LEED-certified building uses 32% less electricity compared to a conventional building, and saves 350 metric tons of CO₂ each year.</p>	 <p>11c - Support least developed countries, including through financial and technical assistance in building sustainable and resilient buildings utilising local materials.</p>
Low-Carbon and Low-Emission Transportation	<p>Malaysia's transportation sector accounts for nearly 35% of total energy consumed by the country and emits approximately 50 million metric tonnes of CO₂ per year (as of 2015) - the second largest contributor after electricity production.¹¹ There is a need to support new, innovative technologies in all transport modes to ensure the decoupling of carbon emissions from the transport sector. In addition, sustainable low-carbon transport strategies provide a multitude of economic, social and environmental benefits to the population. These include fuel cost and travel time savings, improved air quality, better public health, higher productivity levels and other spillover benefits.</p> <p>Cagamas ASEAN Sustainability Bonds/SRI Sukuk also support the development and operation of public transportation systems. Malaysia has a high rate of personal vehicle ownership; cars currently account for approximately 59% of the overall emissions by the transport sector. Therefore, infrastructure improvements in public transport will help reduce long-term dependence on private vehicles, leading to further reductions in carbon emissions and energy consumption by the transport sector.</p>	 <p>11.2 - By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, thus improve road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, i.e. women, children, persons with disabilities and older persons.</p>

¹¹ Source: *Malaysia Stocktaking Report on Sustainable Transport and Climate Change – Data, Policy and Monitoring* (November 2016) published by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Sustainable Water and Wastewater Management	A circular economy refers to the preservation of resources for the benefit of the environment and the economy. Water is a finite resource that should be managed in a reliable and efficient manner. Cagamas ASEAN Sustainability Bonds/SRI Sukuk facilitate the financing of solutions that increase the efficiency of water utilities and improve the reliability of sewerage systems. This helps to improve the resilience of water infrastructure systems, thereby contributing to enhanced access to safe drinking water, higher sanitation standards, reduction in energy usage, better public health and other benefits.	 <p>6.1 - By 2030, achieve universal and equitable access to safe and affordable drinking water for all.</p> <p>6.2 - By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations.</p> <p>6.3 - By 2030, improve water quality by reducing pollution, eliminate dumping and minimising the release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.</p> <p>6.4 - By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of fresh water to address water scarcity and substantially reduce the number of people suffering from water scarcity.</p>
Affordable Housing	Cagamas supports affordable housing schemes that help low- and median-income populations to become successful homeowners. Affordable housing supports sustainable development in a variety of ways. By improving access to home ownership, communities have a higher level of security and residential stability. This potentially translates into a broad spectrum of other socio-economic benefits. Affordable housing promotes wealth creation among communities. This provides the necessary financial resources for communities to invest in education attainment, healthcare, nutritious food and other essential needs. As a result, investments in affordable housing can lead to improvements in social outcomes such as employability, better life satisfaction, general health and wellbeing while promoting stronger national economic growth.	 <p>11.1 - By 2030, ensure access for all to adequate, safe and affordable housing and basic services, and upgrade slums.</p>

Eligible Loan/Financing/Asset Category	Positive Impact Creation	Alignment with SDGs and Targets
Employment Generation via SMEs	<p>SMEs are often considered the backbone of a nation's economy. In Malaysia, SMEs account for more than 98% of total business establishments¹² and generate 48.4% of jobs.¹³ SMEs' contribution to Malaysia's GDP increased to 38.9% in 2019 (2018: 38.3%).¹⁴ As such, supporting SMEs can have a remarkable impact on the growth and development of the country. The benefits may include more employment opportunities, promoting local entrepreneurship, higher output of goods and services, industry expansion, a platform to reduce the income gap between different groups, and other positive socioeconomic outcomes. This is viewed to be even more crucial now given the impact of COVID-19.</p>	<div data-bbox="1190 230 1358 396" data-label="Image"> </div> <p>8.3 - Promote development-oriented policies that support productive activities, 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>

¹² Source: SME Corporation Malaysia (www.smecorp.gov.my)

¹³ Source: SMEs Performance 2019 by Department of Statistics Malaysia (DOSM)

¹⁴ Source: SMEs Performance 2019 by DOSM

APPENDIX 1

APPENDIX 1: SHAREHOLDERS OF CAGAMAS HOLDINGS BERHAD

No.	Shareholder	Number of Shares	Percentage of Shareholding (%)
1	Bank Negara Malaysia	30,000,000	20.0
2	CIMB Bank Berhad	24,684,000	16.5
3	Malayan Banking Berhad	21,279,000	14.2
4	RHB Bank Berhad	11,732,400	7.8
5	RHB Investment Bank Berhad	1,200,000	0.8
6	AmBank (M) Berhad	12,066,000	8.0
7	Public Bank Berhad	9,885,600	6.6
8	Public Investment Bank Berhad	600,000	0.4
9	Hong Leong Bank Berhad	8,958,000	6.0
10	HSBC Bank Malaysia Berhad	6,201,000	4.1
11	Alliance Bank Malaysia Berhad	3,183,000	2.1
12	Alliance Investment Bank Berhad	2,400,000	1.6
13	Standard Chartered Bank Malaysia Berhad	4,590,000	3.1
14	Affin Bank Berhad	3,660,000	2.4
15	Affin Hwang Investment Bank Berhad	750,000	0.5
16	United Overseas Bank (Malaysia) Berhad	3,330,000	2.2
17	OCBC Bank (Malaysia) Berhad	2,997,000	2.0
18	MUFG Bank Malaysia Berhad	738,000	0.5
19	SIBB Berhad	450,000	0.3
20	Bangkok Bank Berhad	369,000	0.3
21	The Bank of Nova Scotia Berhad	327,000	0.2
22	Deutsche Bank (Malaysia) Berhad	300,000	0.2
23	Bank of China (Malaysia) Berhad	300,000	0.2
	TOTAL	150,000,000	100.0

Source: Cagamas Holdings Berhad's Annual Report 2019

APPENDIX 2

APPENDIX 2: SRI SUKUK FRAMEWORK CHECKLIST

Reference:

Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework

Part 3: Corporate Bonds and Sukuk

Chapter 7: Sustainable and Responsible Investment (SRI) Sukuk

No.	Item	Requirement	Alignment	Comment
7.07 & 7.08	Eligible SRI Projects	<p>An Eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</p> <ul style="list-style-type: none"> (a) Preserving and protecting the environment and natural resources; (b) Conserving the use of energy; (c) Promoting the use of renewable energy; (d) Reducing greenhouse gas emissions; (e) Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes, especially but not exclusively for a target population; or (f) Improving the quality of life for society. <p>Eligible SRI projects may include, but are not limited to, the following:</p> <ul style="list-style-type: none"> (a) Green projects that relate to: <ul style="list-style-type: none"> (i) Renewable energy; (ii) Energy efficiency; (iii) Pollution prevention and control; (iv) Environmentally sustainable management of living natural resources and land use; (v) Terrestrial and aquatic biodiversity conservation; (vi) Clean transportation; (vii) Sustainable water and wastewater management; (viii) Climate change adaptation; (ix) Eco-efficient and/or circular economy adapted products, production technologies and processes; or (x) Green buildings which meet regional, national or internationally recognised standards or certifications; (b) Social projects that relate to: <ul style="list-style-type: none"> (i) Affordable basic infrastructure; (ii) Access to essential services; (iii) Affordable housing; (iv) Employment generation, including the potential effect of SME financing and microfinancing; (v) Food security; or (vi) Socioeconomic advancement and empowerment; (c) Projects which are the combination of Green and Social projects as described in (a) and (b) above; and (d) <i>Waqf</i> projects that relate to the development of <i>waqf</i> properties or assets. 	Yes	<p>Cagamas' ASEAN Sustainability Bonds/SRI Sukuk Framework will be used to finance the purchase of eligible loans/financing/assets from Approved Sellers that relate to the following green and social projects:</p> <ul style="list-style-type: none"> (i) Renewable energy (ii) Energy efficiency (iii) Green buildings (iv) Low-carbon and low-emission transportation (v) Sustainable water and wastewater management (vi) Affordable housing (vii) Employment generation via SMEs <p>The above is aligned with Eligible SRI Project objectives and categories.</p>

No.	Item	Requirement	Alignment	Comment
7.10 & 7.11	Utilisation of Proceeds	An issuer must ensure that the proceeds raised from the issuance of the SRI sukuk are utilised only for the purpose of funding any activities or transactions relating to the Eligible SRI projects as described in paragraph 7.08 above.	Yes	Please refer to above.
		In relation to the activities or transactions that involve acquisition of a company which carries on the Eligible SRI projects, an issuer must ensure that the company that is to be acquired does not carry on any other business or projects except for the Eligible SRI projects.	Not Applicable	The Issuer represented that it will not be utilising the proceeds for acquisition of companies carrying out eligible SRI projects.
7.12	Process for Project Evaluation and Selection	An issuer must establish internal processes for evaluation and selection of the Eligible SRI projects as identified in paragraph 7.08 above.	Yes	The Issuer has outlined the measures established to identify eligible loans/financing/assets for purchase. A dedicated committee comprising senior management personnel will review and approve the loans/financing/assets purchased. Please refer to Section 3.2 Project Evaluation & Selection.
7.13	Management of Proceeds	An issuer must ensure that the proceeds allocated for the Eligible SRI projects are credited into a designated account or otherwise tracked in an appropriate manner.	Yes	The net proceeds from the issuance of ASEAN Sustainability Bonds/SRI Sukuk will be immediately used to purchase loans/financing/assets that meet the eligibility criteria within the pre-defined green and social project categories. Please refer to Section 3.3 Management of Proceeds.
7.14	Reporting	<p>An issuer must provide the following information to the sukukholders annually through a designated website:</p> <ul style="list-style-type: none"> (a) The original amount allocated for the Eligible SRI projects; (b) The amount utilised for the Eligible SRI projects; (c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and (d) The list of Eligible SRI projects in which the SRI sukuk proceeds have been allocated to and a brief description of the said Eligible SRI projects and their impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact 	Yes	<p>Cagamas has made a commitment to disclose the necessary information annually to the bondholders/sukukholders via its corporate website. For detailed information, please refer to Section 3.4 Reporting Commitments.</p> <p>The Issuer will report to the bondholders/sukukholders on the impact objective of the project financed by the ASEAN Sustainability Bonds/SRI Sukuk, subject to confidentiality disclosures and availability of information on the loans/financing/assets purchased.</p>
7.05 & 7.16	Disclosure Requirements	The information relating to the issuer and the details of the issuer's SRI Sukuk Framework must be made publicly accessible via a designated website to be disclosed by the issuer. Such information in the designated website must be made available at the point of issuance and throughout the tenure of the SRI sukuk.		Cagamas has made a commitment to disclose its ASEAN Sustainability Bonds/SRI Sukuk Framework, and the necessary information to the bondholders/sukukholders every year (via its Annual Sustainability Progress Report) on its corporate website.

No.	Item	Requirement	Alignment	Comment
		<p>For the purpose of disclosure of the details of the issuer and the SRI Sukuk Framework under paragraph 7.05 above, the following information must be included:</p> <ul style="list-style-type: none"> (a) The overall SRI objectives that the issuer intends to achieve; (b) The utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for refinancing, an issuer must provide the amount of proceeds being allocated for refinancing and which Eligible SRI projects to be refinanced; (c) The Eligible SRI projects in which the proceeds will be allocated; (d) The details of the Eligible SRI projects and to the extent possible, impact objectives from the Eligible SRI projects; (e) The processes used by the issuer to evaluate and select the Eligible SRI projects; (f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects; (g) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and (h) A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI projects. 		<p>Cagamas has included (a), (b), (c), (e), (f), (g) and (h) within its ASEAN Sustainability Bonds/SRI Sukuk Framework.</p> <p>Item (d) will be disclosed annually on its website.</p>
7.17	External review	If an external reviewer is appointed to assess and provide report on the Eligible SRI projects or the issuer's compliance with the requirements under these Guidelines, such external reviewer's report must be made available on the designated website.	Yes	<p>RAM Sustainability has been appointed to provide a second opinion on the Issuer's Framework. The review covers an assessment of the Issuer's alignment with the requirements of the SRI Sukuk Framework, the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the GBP, the SBP, and the SBG as well as the sustainability responsibilities of the Issuer. The second opinion report will be made available on Cagamas' corporate website and RAM's website (www.ram.com.my).</p>

APPENDIX 3

APPENDIX 3: ASEAN SUSTAINABILITY BOND STANDARDS (ASEAN SUS) CHECKLIST

Reference:

ASEAN Capital Markets Forum – ASEAN Green Bond Standards (GBS)

ASEAN Capital Markets Forum – ASEAN Social Bond Standards (SBS)

Item	No.	Requirement	Alignment	Comment
Eligibility of Issuers	GBS 3.1 SBS 3.1	i. Must be an ASEAN Issuer; or ii. In the case of a Non-ASEAN Issuer, the eligible Green Projects must be located in any of the ASEAN countries.	Yes	The Issuer is an entity incorporated in Malaysia, whose primary business operations are in Malaysia.
	GBS 3.2 SBS 3.2	ASEAN Sustainability Bonds issuances must be originated from any of the ASEAN member countries.	Yes	The bonds/sukuk issued under the Framework originate from Malaysia.
Ineligible Projects	GBS 4.1.6	For clarification purposes, fossil fuel power generation projects are excluded from the ASEAN GBS.	Yes	The Issuer has stipulated within the Framework that loans/financing/assets that are related to fossil fuels are not eligible for purchase.
	SBS 4.1.7	For clarification, projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN SBS. Issuers are also encouraged to develop a list of additional ineligible projects for the issuance of their ASEAN Social Bonds, if applicable.	Yes	The Issuer has stipulated within the Framework that loans/financing/assets that are related to alcohol, gambling, tobacco and weapons are not eligible for purchase. The Issuer also stipulates that loans/financing/assets related to nuclear, child labour and adult entertainment are not eligible for purchase.
Continuous Accessibility to Information	GBS 4.2.1 SBS 4.2.1	The Issuer of ASEAN Sustainability Bonds must clearly communicate to investors – i) The environmental sustainability and social objectives; ii) The process by which the Issuer determines how the projects fit within the eligible Green and Social Project categories identified above; and iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the Green and Social Projects.	Yes	Home ownership and access to affordable housing had been the primary focus of Cagamas' early sustainability efforts. To promote a broader sustainable development agenda, the Issuer aims to diversify its business into green and social impact loans/financing/assets. This enables Cagamas to create positive impact across the economic, social and environmental spheres. The eligibility criteria for the use of proceeds and the process of evaluation and selection of eligible loans/financing/assets are detailed in the Framework.
	GBS 4.2.5 SBS 4.2.5	The Issuer must make the following publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of ASEAN Sustainability Bonds: i) The process for project evaluation; ii) The use of proceeds; and iii) External review report on the process (if any).	Yes	The Issuer is committed to publishing the Framework on its corporate website (www.cagamas.com.my). The Framework includes information that describes the process for project evaluation, the intended use of proceeds and the requirement to obtain a second opinion to confirm the validity of the Framework.
	GBS 4.3.1 SBS 4.3.1	Prior to the issuance of the ASEAN Sustainability Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Sustainability Bonds the process for managing the net proceeds from the ASEAN Sustainability Bonds.	Yes	Proceeds from all issuances under the Framework will be fully utilised at the point of issuance to purchase the eligible loans/financing/assets.

	GBS 4.3.4 SBS 4.3.4	The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Sustainability Bonds the intended types of temporary placement for the balance of unallocated proceeds.	Yes	During the tenure of the ASEAN Sustainability Bonds/SRI Sukuk, the Issuer will endeavour to maintain and monitor the portfolio of loans/financing/assets purchased at issuance. Should there be loans/financing/assets that cease to fulfil the Eligibility Criteria, the Issuer will, on a best-effort basis, replace them with eligible loans/financing/assets as per the Framework.
	GBS 4.4.5 SBS 4.4.5	The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the ASEAN Sustainability Bonds.	Yes	The Issuer is committed to publishing an Annual Sustainability Progress Report, which will provide information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued. Cagamas will appoint an independent party to provide an external assurance on the Annual Sustainability Progress Report.
Encourage More Frequent Reporting	GBS 4.4.1 SBS 4.4.1	Issuers must report to investors at least on an annual basis and encouraged to make more frequent reporting on the use of proceeds until full allocation, and as necessary thereafter in the event of material developments. This should include a list of the projects to which the ASEAN Sustainability Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated and their expected impact.	Yes	The Issuer is committed to publishing an Annual Sustainability Progress Report, which will provide information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued.
External Review	GBS 5.1 SBS 5.1	Issuers are recommended to appoint external review providers for their ASEAN Sustainability Bonds issuances.	Yes	RAM Sustainability has been appointed to provide a second opinion on the Issuer's Framework. The review covers an assessment of the Issuer's Framework against the disclosure requirements of the ASEAN GBS, the ASEAN SBS, the ASEAN SUS, the SRI Sukuk Framework, the GBP, the SBP and the SBG as well as the sustainability responsibilities of the Issuer.
	GBS 4.2.4 SBS 4.2.4	It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.	Yes	Second Opinion reviews cover project evaluation and selection.
	GBS 4.3.5 SBS 4.3.5	It is recommended that the Issuer's management of proceeds be supplemented by the use of an auditor, or other third party to verify the internal tracking method and the allocation of funds from the ASEAN Sustainability Bonds proceeds.	Yes	Cagamas has committed to appointing an independent party to verify the internal tracking methods and allocation of funds of the ASEAN Sustainability Bonds/SRI Sukuk issued.
	GBS 4.3.6 SBS 4.3.6	Where the Issuer appoints an auditor or other third party to verify the Issuer's management of proceeds, the Issuer must make the report produced by the auditor or other third party publicly available on a website designated by the Issuer at the time of issuance of the ASEAN Green Bonds.	Yes	Cagamas has committed to publish the Annual Sustainability Progress Report and the accompanying annual assurance report on its corporate website.
	GBS 4.4.4 SBS 4.4.4	It is recommended that the Issuer's annual reporting on the use of proceeds be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.	Yes	Cagamas will appoint an appropriate external assurance provider to independently confirm the accuracy of the Annual Sustainability Progress Report and provide an opinion on the compliance of the Framework.

APPENDIX 4



Sustainability Bond / Sustainability Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Cagamas Berhad (Cagamas)

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: Cagamas ASEAN Sustainability Bonds/SRI Sukuk Framework under its Medium Term Notes and Islamic Medium Term Notes Programme of RM60 billion (2007/2067)

Review provider's name: RAM Sustainability Sdn Bhd

Completion date of this form: 21 September 2020

Publication date of review publication: 21 September 2020

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 GBPs and the SBPs:

- | | |
|--|--|
| <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 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input checked="" type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

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 Second Opinion Report on Cagamas ASEAN Sustainability Bonds/SRI Sukuk Framework.

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 proceeds from any bonds/sukuk issued under the Framework will be solely used to purchase eligible loans/financing/assets of the following green and social project categories:

- Renewable Energy
- Energy Efficiency
- Green Buildings
- Low Carbon and Low Emission Transportation
- Sustainable Water and Wastewater Management
- Affordable Housing
- Employment Generation for SMEs

Eligibility criteria for each category is described in the Framework.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input 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 type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input checked="" type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises |
| <input type="checkbox"/> Food security and sustainable food systems | <input type="checkbox"/> Socioeconomic 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 SBPs | <input type="checkbox"/> Other (please specify): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Issuer has outlined the measures established to identify eligible loans/financing/assets considered for purchase. A dedicated committee made up of senior management personnel is responsible for reviewing and approving the loans/financing/assets purchased.

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 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 checked="" type="checkbox"/> Other (please specify): <u>Documented process to identify and manage potential environmental and social risks associated with the eligible loans/financing/assets</u> |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

The net proceeds from the issuance of ASEAN Sustainability Bonds/SRI Sukuk will be immediately used to purchase loans/financing/assets that meet the eligibility criteria within the pre-defined green and social project categories.

Tracking of proceeds:

- ☒ Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☐ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☒ Other (please specify): Proceeds will be immediately used to purchase eligible loans/financing/assets.

Additional disclosure:

- | | |
|--|--|
| <input type="checkbox"/> Allocations to future investments only | <input 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 type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

The process for reporting is in line with the expected norms for sustainability bonds/sukuk. The Issuer is committed to publishing an Annual Sustainability Progress Report, which provides information on the allocation and impact of the ASEAN Sustainability Bonds/SRI Sukuk issued. The Issuer will disclose this information on its corporate website.

The Issuer will appoint an external assurance provider to independently validate the accuracy of the information presented in this progress report. The related assurance report will also be made available to the public via the Issuer's corporate website.

Use of proceeds reporting:

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

Frequency:

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

Impact reporting:

- | | |
|--|--|
| <input checked="" 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): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <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 type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): <u>Please refer to Section 3.4 of the Second Opinion Report.</u> |

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): <u>An Annual Sustainability Progress Report will be published by the Issuer.</u> |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): <u>The Annual Sustainability Progress Report will be independently confirmed by an external assurance provider, who will also opine on the conformity to its ASEAN Sustainability Bonds/SRI Sukuk Framework.</u> | |

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.)

Corporate website of the Issuer (www.cagamas.com.my)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd 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) **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second opinions" may fall into this category.
- (ii) **Verification:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against external green and social assessment standards. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) **Rating:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks/programmes.



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