



THANK YOU
FROM TOMORROW

Sustainable Finance: Risks and Opportunities

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FORWARD  Sustainability



MALAYSIA IS TARGETING TO BE CARBON NEUTRAL BY 2050

Key initiatives by the Government



Enhancing governance

- MyCAC*, National Climate Change Law, GHG Inventory Centre



Setting pathways

- NDC Roadmap
- Long-term low emissions development strategy
- Sustainable Finance Roadmap



Towards low-carbon practices

- Decarbonising energy
 - Electricity Power Generation Plan 2021 – 2039 [31% RE installed capacity in 2025, 40% in 2035]
 - Natural Energy Policy & Natural Gas Roadmap 2021 – 2040
 - Energy literacy & transition program
- National Low Carbon Mobility Blueprint 2021 – 2030
- Domestic Emissions Trading Scheme
- Voluntary Carbon Market
- LCTF of RM1.0 billion for SMEs
- Tax exemptions for electric vehicles



Enhancing biodiversity and environmental management

- National Policy on Biodiversity 2021 – 2030
- Forest carbon certificates & forest carbon offsets
- RM450 million allocated for environmental conservation and restoration efforts**
- RM70 million annual allocation for ecological fiscal transfer**

...in line with 12th Malaysia Plan

Advancing green growth for sustainability and resilience



Implementing a low-carbon, clean and resilient development



Managing natural resources efficiently to safeguard natural capital



Strengthening the enabling environment for effective governance

Enhancing energy sustainability and transforming the water sector



Ensuring sustainable energy for all



Transforming the water sector

Restoring growth momentum



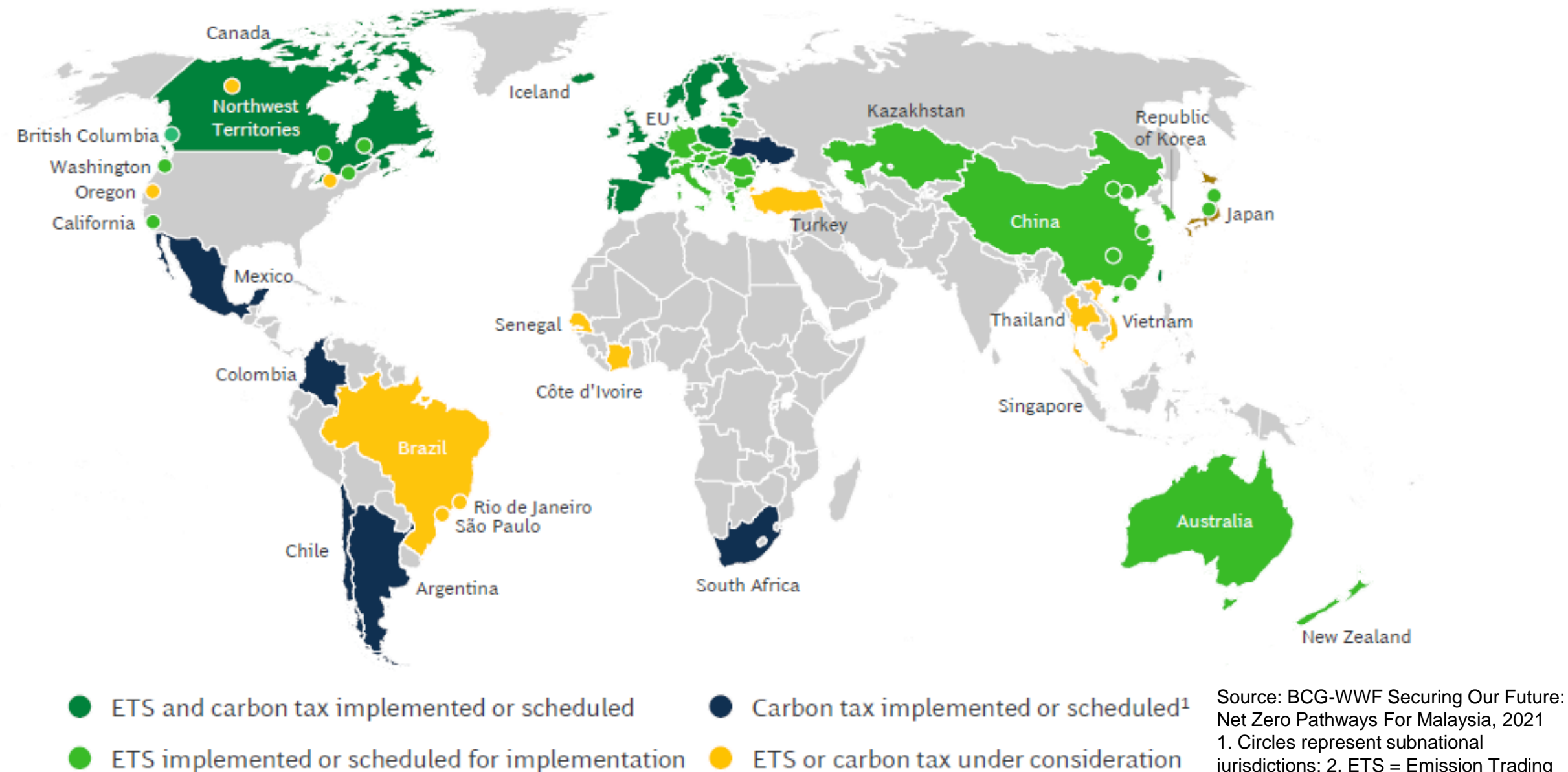
Strengthening the effectiveness of financial intermediation ecosystem



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

*Malaysian Climate Change Action Council
– chaired by PM & comprises 12 Ministers, Chief Ministers
**Announced in Budget 2022

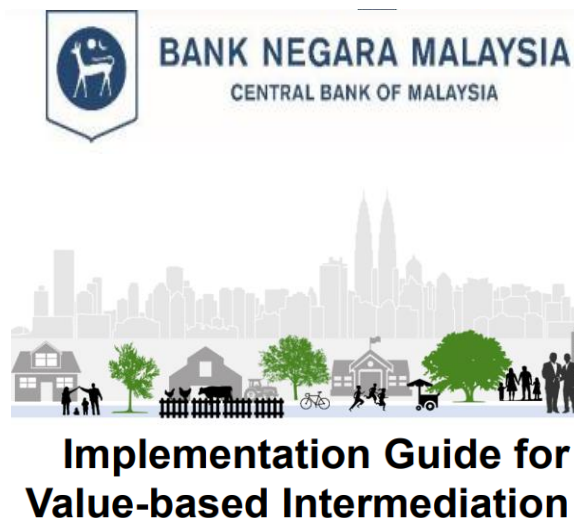
GROWING NUMBER OF COUNTRIES WITH CARBON PRICING



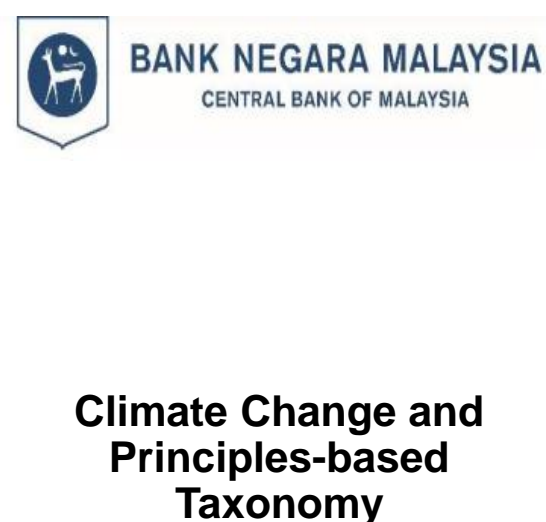
EMERGING REGULATIONS FOR FINANCIAL SERVICES



Target for 2026: More than 50% of new financing is for **green and transitioning activities**



An **impact-based risk management system** to facilitate the practical adoption of Value-based Intermediation



Guidance on **classifying economic activities** that contribute to climate change mitigation and adaptation.



PERSATUAN BANK-BANK DALAM MALAYSIA
THE ASSOCIATION OF BANKS IN MALAYSIA

Developing 7 ESG principles

SUSTAINABLE FINANCE AT CIMB

MINIMISING HARM



Introduce environmental and social standards as well as sustainability risk management in business relationships

Transaction Level

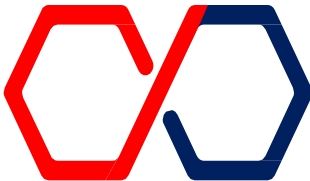
- Assess every new financing or capital raising request via Basic or Enhanced Sustainability Due Diligence in line with Group Sustainable Financing Policy
- Conduct annual reviews of facilities, and monitor for any ESG controversies

Client Level

- In addition to reviewing the sector risk, we assess whether individual clients have effectively managed and mitigated ESG risks
- We may agree time-bound action plans with clients to improve their sustainability performance and to mitigate risk

Portfolio Level

- Review risks at the sector and portfolio level, and actively manage portfolio exposure and emissions intensity to align with our Net Zero 2050 goal



MAXIMISING POSITIVE IMPACT

Offer meaningful products, services & advisory to individuals and businesses, who are “in need of help” or “can give help”

Key Themes and Focus

- Our focus is guided by the set of **prioritized SDG’s** that we have identified and integrated into our strategy

How We Effect Change

We effect change via our:

- **Products** - Provide clients with the tools to accelerate their sustainability progress
- **Services** – Offer assistance to support our most vulnerable customers
- **Advocacy** - Knowledge sharing and mentoring programmes for our clients

Impact we Create

- The impact we create is derived from how we successfully **enable, equip and incentivize** our clients

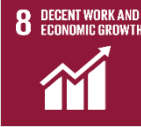
ENVIRONMENTAL & SOCIAL RISKS ASSESSED

Risks are assessed based on 'outbound' and 'inbound' impacts

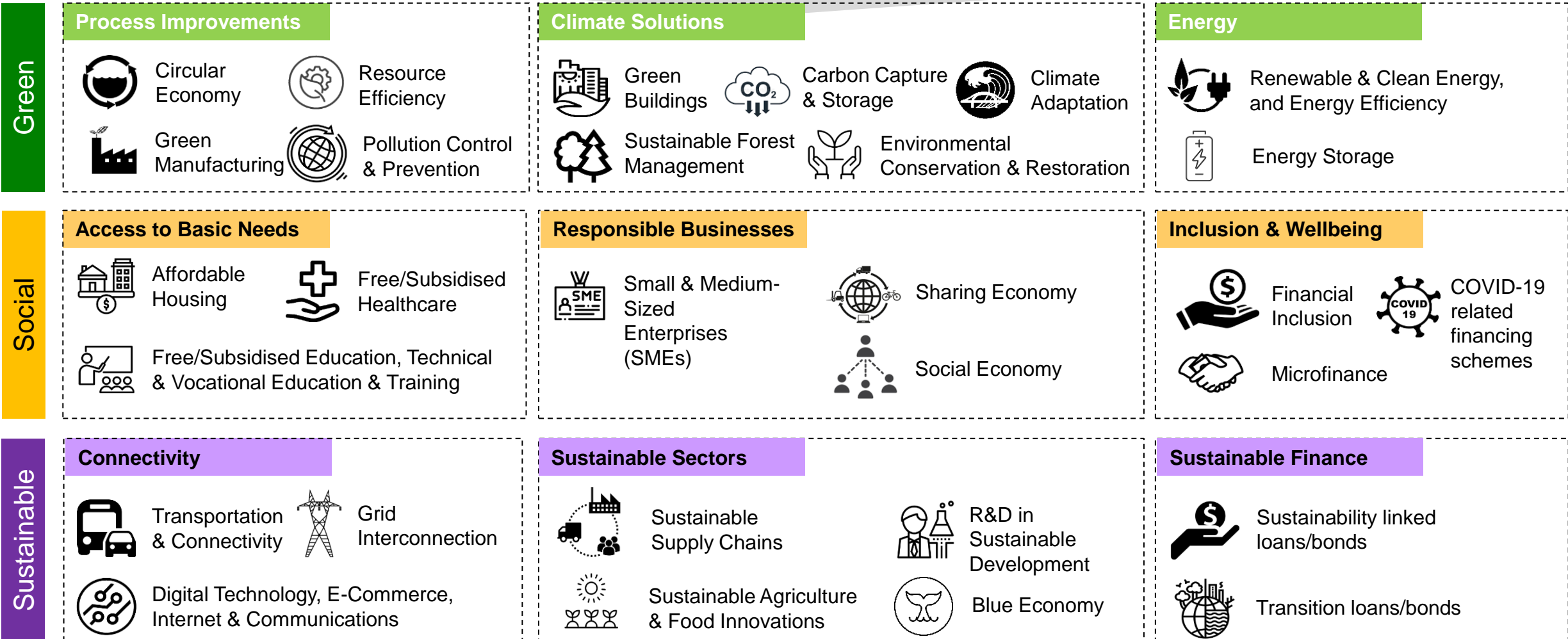


GREEN, SOCIAL & SUSTAINABLE IMPACT PRODUCTS & SERVICES (GSSIPS) FRAMEWORK ACTS AS OUR ANCHOR

Priority SDGs



The framework is **EXPANDABLE**, where new focus areas, products or services can be added/removed as and when required



SUSTAINABLE FINANCE PRODUCTS AND SERVICES



Corporates

- Green Financing
- **Sustainability Linked Loans (SLL)**
- **Sustainable Bond/Sukuk**
- Sustainability Linked Bond/Sukuk
- Transition Financing/Bond/Sukuk



Small Medium Enterprises

- **Low Carbon Transition Fund (LCTF)**
- SME Renewable Energy Financing
- Private Financing Advisory Network (PFAN)
- AgTech Chilli Planters Microfinancing
- **GreenBizReady**
- MicroBizReady

Some Definitions

Use of Proceeds

Green Financing / Bonds

- Financing for **initiatives that provide environmental benefits** e.g. reduce GHG, reduce air / water / land pollution, improved efficiency in land use and resources

Transition Financing / Bonds

- Support clients in “**brown**” or high greenhouse gas (GHG) emission sectors to implement specific transition projects required to transition towards cleaner options e.g. natural gas-powered cogeneration plant with a clear transition plan to renewable sources

Performance-based

Sustainability-linked Loans / Bonds (SLL / SLB)

- Loans with **interest rebates** tied to achievement of ambitious, predetermined **Sustainability Performance Targets**

SUSTAINABILITY LINKED LOANS (SLL)

A flagship sustainable product for corporate clients

WHAT IS A SLL?



Any types of loan instruments and/or contingent facilities that incentivise a borrower's achievement of **ambitious, predetermined sustainability performance objectives**



The loan's interest rate is pegged to one or more pre-agreed **Sustainability Performance Targets (SPTs)**. An **interest rebate** will be given if the client is able to achieve the SPTs. It's **not an event of default** for not meeting the SPTs.



SPTs are measured by predefined **Key Performance Indicators (KPIs)**, e.g. improvement in the client's ESG index rating, year-on-year reduction in GHG emissions

WHY IS SLL CRUCIAL?



Offer a **financial motive** for corporate clients to be **more sustainable and decarbonize** themselves (which in turn makes our book greener)



Capitalise on **growing appetite in the region** (due to its **flexibility** in terms of use of proceeds – more attractive to clients that do not have green assets)



Support the Group's **sustainable finance agenda and target**, i.e. RM30 billion by 2024

SUSTAINABILITY LINKED LOANS

Progress to-date and select examples

RM3 billion earmarked for SLL
from Jan 2020 to Dec 2024

RM1.2 bil accepted by clients

More than **80 pitches** were
made since 2019

Client



Deal Size

RM270 million term loan (completed in July 2020)

Deal Overview

Maiden SLL for both StarHub and CIMB and first Singapore-Malaysia **cross border sustainability linked transaction** by CIMB

SPT

Year-on-year improvements in **StarHub's annual CDP Climate Change Scores** from FY2021 to FY2023

Client



Deal Size

RM100 million revolving credit (completed in October 2020)

Deal Overview

First SLL for an **East Malaysian company** and the **first SLL** for a **utility sector company in Malaysia**. Rebates to be donated.

SPT

Ensure alignment of **grid emission intensity** with the Paris Agreement temperature goals, and to fully **electrify Sarawak** by 2025

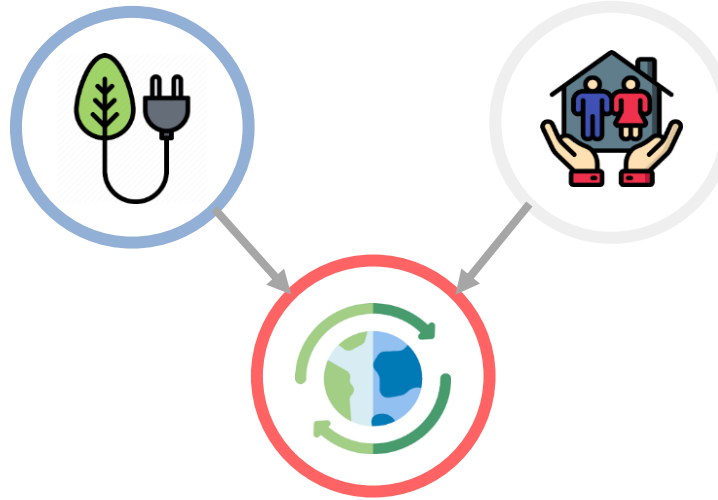
GREEN, SOCIAL & SUSTAINABILITY BOND/SUKUK



*“Green, social & sustainability (“GSS”) bond/Sukuk are very similar to their conventional equivalents, with the exception that they carry a **unique overlay and messaging around an issuer’s sustainability agenda.**”*

GREEN BOND/SUKUK

- Proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Green Projects (with may have social co-benefits)
- Contribute to **environmental objectives** such as climate change mitigation & adaption, conservation, pollution prevention & control



SOCIAL BOND/SUKUK

- Proceeds will be exclusively applied to finance or re-finance in part or in full new and/or existing eligible Social Projects (which may have environmental co-benefits)
- Directly address or mitigate a specific **social issue** and/or seek to achieve positive **social outcomes** especially for a target population(s)

SUSTAINABILITY BOND/SUKUK

- Proceeds will be exclusively applied to finance or re-finance a **combination of both Green and Social Projects** with **clear environmental and social benefits**

Why issue GSS bond/Sukuk?

- ✓ Support the company’s sustainability agenda including the achievement of selected UN Sustainable Development Goals (“**SDGs**”) which are related to the project selection/eligibility criteria for utilisation of proceeds.
- ✓ Ability to access an increasingly growing pool of ESG-focused investment funds which will incrementally increase demand for the bond/Sukuk spurring oversubscription.
- ✓ Positive profiling and marketing message to demonstrate the company’s commitment to sustainability and improve stakeholder perception.

BNM LOW CARBON TRANSITION FACILITY (LCTF)



Financing size
per SME

**Maximum
RM10 million**



Financing Rate
to SMEs

Maximum financing
rate of
5% p.a.
inclusive of guarantee
fee (if any)



Tenure

Up to
10 years

Low Carbon Transition Facility (LCTF)

Objective	Encourage and support SMEs to adopt sustainable practices for business resilience
Special feature	Participating financial institutions to provide financing on a matching basis
Size	RM2 billion [RM1 billion allocation from Bank Negara Malaysia + RM1 billion from participating financial institutions (matching basis)]
Eligibility criteria	SMEs in all sectors
Purpose of financing	To fund capital expenditure or working capital to initiate or facilitate the transition to low carbon and sustainable operation
Tenure	Up to 10 years
Financing size per SME	Maximum RM10 million
Financing rate to SMEs	Maximum financing rate of 5.0% p.a., inclusive of guarantee fee (if any)
Guarantee	Guarantee schemes by Credit Guarantee Corporation Malaysia Berhad (CGC) / Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP)
Availability	3 February 2022 until full utilisation

BNM LOW CARBON TRANSITION FACILITY (LCTF)

Green, Social, Sustainable Impact Products & Services (GSSIPS) Low Carbon Focus Areas



Examples of Eligible Transition Activities

- Installation of onsite renewable energy equipment
- Purchase of energy efficient technology / system
- Adoption of sustainable materials for business operations
- Adoption of sustainability certification
- Adoption of sustainable practices
- Others including training, consultancy

Related GSSIPS Focus Areas

- Renewable & Clean Energy
- Energy Efficiency; Green Manufacturing
- Circular Economy; Resource Efficiency
- Green Buildings
- Environmental Conservation & Restoration; Pollution Control & Prevention; Sustainable Forest Management; Negative Emissions Technologies; Blue Economy; Climate Adaptation

CIMB GreenBizReady – Our Proposition For SMEs

Enabling SMEs To Be Green And Sustainable 'Ready' Via Our Green Ecosystem



CIMB GreenBizReady – What We Offer

Empowering You Through Your Green And Sustainable Journey



Financial & Other Solutions



Financing & Cash Management Solutions



EasyStore



Service Providers



Certification & Advisory



Training & Capacity Building



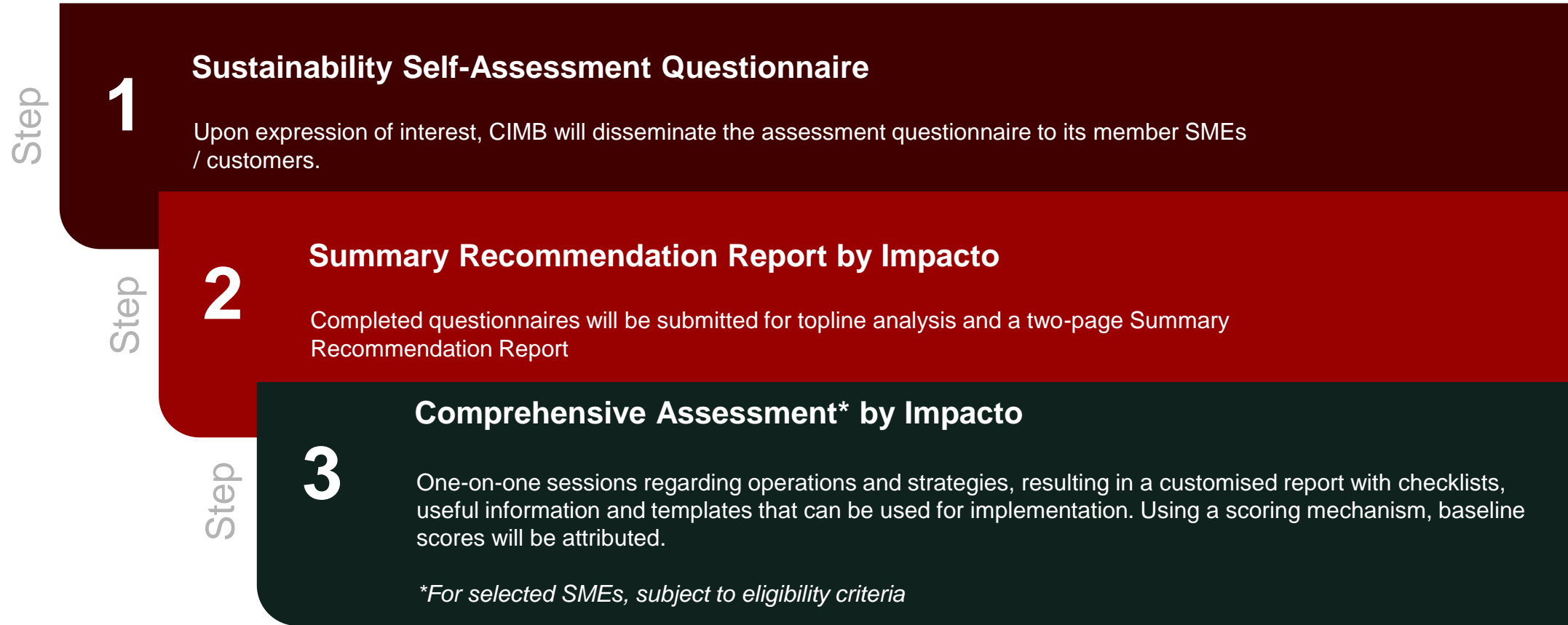
Green Networking



CIMB – Impacto SME Adoption Programme

Start your sustainability journey with us!

From our collaboration with Impacto, we have developed the **SME Adoption Programme** aimed to empower and equip SMEs with the necessary knowledge and tools to start their journey into the green & sustainable business economy



SAVE *the* DATES 20-24 Sep 2022

THE COOLER EARTH

Sustainability Summit



Facilitating
A Just Transition

CIMB's Flagship Sustainability Summit is Back!

Join us in person in Kuala Lumpur, or participate online.

Conference | Masterclasses | Fund Matching to Close SDG Financing Gaps | Experiential Learning Sessions

Registration opens July 2022. More information on <https://coolerearth.cimb.com>.

Email us at sustainabilityevents@cimb.com to get added onto our Cooler Earth mailing list.