



HONG LEONG BANK BERHAD

- **GREEN BOND FRAMEWORK**

ADDITIONAL TIER 1 CAPITAL SECURITIES PROGRAMME OF UP TO RM10.0 BILLION IN NOMINAL VALUE

SECOND OPINION REPORT

7 April 2022

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RAM SUSTAINABILITY'S SECOND OPINION APPROACH

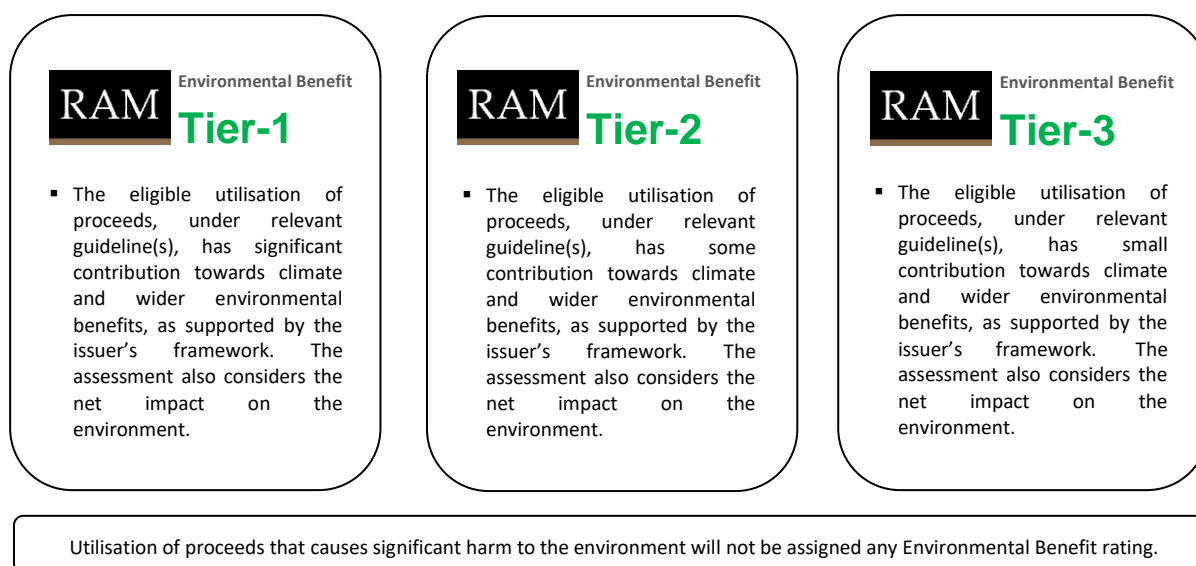
RAM Sustainability has assessed Hong Leong Bank Berhad's (HLBB or the Issuer) Green Bond Framework (the Framework) against the sustainability responsibilities and disclosure requirements of the following guidelines and standards:

- The ASEAN Capital Market Forum's (ACMF) **ASEAN GBS**¹
- The International Capital Market Association's (ICMA) **GBP**²

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

RAM SUSTAINABILITY'S ENVIRONMENTAL BENEFIT ASSESSMENT AND DEFINITION

The ultimate objective of green bonds 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 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 is also a key consideration. RAM Sustainability's EB rating definitions are as follows:



RAM Sustainability classifies green bond framework as *Weak*, *Basic*, *Intermediate*, or *Advanced*, in comparison to applicable regulations and guidelines or best practices.

Level	Framework Characteristics
Weak	Not observable in the framework.
Basic	Observable in the framework, but is below best practice.
Intermediate	Observable in the framework and in line with best practice.
Advanced	Observable in the framework and is more stringent, comprehensive, and establishes a new benchmark and new best practice.

¹ 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.



² The GBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in January 2014, before being updated in June 2021. 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.



SUMMARY OF SECOND OPINION ON HONG LEONG BANK'S GREEN BOND FRAMEWORK

RAM Sustainability opines that HLBB's Framework is aligned to the requirements of ASEAN GBS and ICMA GBP. RAM Sustainability has assigned the following Environmental Benefit (EB) ratings to HLBB's Framework based on the identified eligible categories under the ASEAN GBS and ICMA GBP.

The following EB ratings have been assigned to HLBB's eligible asset/project categories:


No.	ASEAN GBS and ICMA GBP Eligible Project Category	HLBB's Eligible Asset/Project Category	RAM Sustainability EB Rating	Rationale for EB Rating
1a	Renewable Energy (RE)	Renewable Energy: Solar, Wind, and Hydropower		<p>i) The deployment of solar energy solutions displaces the use of fossil fuels and decarbonises the energy system. HLBB's first green bond tranche issuance will be for the financing of Large Scale Solar Photovoltaic (LSSPV) projects, with a total proposed allocation of proceeds of RM400 million. These LSSPV projects contribute to approximately 178.9 MWp installed capacity, which can avoid close to 160,000 tonnes of CO₂ per year.</p> <p>ii) Wind and small hydropower (<30MW) projects also have clear and demonstrable contribution to climate change mitigation. Small hydropower projects financed by the green bond are run-of-the-river development with no damming and minimal land clearance.</p> <p>iii) When evaluating and selecting LSSPV projects, HLBB will assess the strength of the developer to undertake a project, review the project's technical team, and ensure that the assessment of soil suitability, flood and ground stability are conducted. In addition, the preliminary environmental management report or EIA of the project are required. The project's</p>

No.	ASEAN GBS and ICMA GBP Eligible Project Category	HLBB's Eligible Asset/Project Category	RAM Sustainability EB Rating	Rationale for EB Rating
1b		Renewable Energy: Biogas and Biomass		<p>operations and maintenance preparedness plans will also be considered by HLBB.</p> <p>i) Biogas and biomass energy projects (including waste-to-energy) environmental benefit depends on the type of technologies, feedstock, and climate mitigation measures being implemented.</p> <p>ii) The bulk of biogas projects financed by HLBB are using feedstocks such as Palm Oil Mill Effluent (POME), with one to two projects using animal waste.</p> <p>iii) Eligibility thresholds and environmental risk assessments are crucial to ensure only climate-supporting RE projects/assets are being funded. For biogas project selection, HLBB will assess and promote projects that utilises high efficiency engines. For biomass projects, steam-based electricity generation with higher electrical efficiency or use of gasification technology will be encouraged. While there could be environmental benefits, RAM Sustainability has not observed any carbon emission eligibility thresholds for biogas or biomass projects, which limits the EB Ratings.</p>
1c		Renewable Energy: Geothermal		<p>i) Due to the release of naturally occurring non-condensable gases (NCGs) from the geothermal fluid during the energy extraction process, geothermal power plants are responsible for GHG emissions. RAM Sustainability has not observed any carbon</p>

No.	ASEAN GBS and ICMA GBP Eligible Project Category	HLBB's Eligible Asset/Project Category	RAM Sustainability EB Rating	Rationale for EB Rating
				emission thresholds for geothermal project assessments, which limits the EB Ratings.
2	Energy Efficiency (EE)	Energy Efficiency		i) EE projects reduce energy use and indirect GHG emissions. According to the International Energy Agency (IEA), energy renovations must reduce energy intensity by 30% to 50% to achieve a 2-Degree Scenario (2DS) ³ . HLBB has committed that the future green bond proceeds allocation will be for EE projects that achieve an energy savings of more than 30%.
3	Green Building (GB)	Green Building		i) For the first green bond tranche, HLBB will finance highly rated i.e. <i>Platinum</i> or <i>Gold</i> -certified GBs, with a total proposed allocation proceeds of RM600 million. ii) Green building certificates recognised by HLBB include Leadership in Energy and Environmental Design (LEED), Green Building Index (GBI), GreenRE, Green Mark and any other recognized international standards. Additionally, HLBB utilises the internal ESG criterias outlined in its Developer End Financing Policy, to guide the evaluation and selection process for property development financing activities. Development projects are evaluated based on their adherence to environmental standards such as green building design and construction, the use of water and energy-efficient fixtures,

³ IEA (2020), Building Envelopes, Analysis

No.	ASEAN GBS and ICMA GBP Eligible Project Category	HLBB's Eligible Asset/Project Category	RAM Sustainability EB Rating	Rationale for EB Rating
				and sustainable construction methods.
4	Pollution Prevention and Control	Waste Management (WM)		<p>i) HLBB will be funding a wide range of waste management assets/projects which may include recovery facilities, waste treatment, and those that relates to 3R (reduce, reuse and recycle) activities. These projects are important components in pollution prevention and control for the environment and its ecosystem.</p> <p>ii) Given the wide range of waste management for different types of waste such as solid waste, hazardous waste, construction waste, and recyclables, the contribution towards environmental benefit would vary significantly depending on technologies and mitigation activities being implemented.</p> <p>iii) HLBB's future proceeds allocation will likely be for food waste solution and recycling of electronic waste activities set by its Launchpad programme partners – Green Hero, EARTH, and Food Market Hub. However, there is limited disclosures on project risk assessment in relation to environmental and social risks.</p>
5a	Clean Transportation	Sustainable Transportation (ST): Electric Vehicles		<p>i) HLBB's green bond proceeds may be utilised for financing customers' purchase of electric vehicles. As electric vehicles have zero tail-pipe emissions, we envisage clear emissions reduction.</p>

No.	ASEAN GBS and ICMA GBP Eligible Project Category	HLBB's Eligible Asset/Project Category	RAM Sustainability EB Rating	Rationale for EB Rating
5b		Sustainable Transportation (ST): Hybrid Vehicles		i) HLBB's bond proceeds may be used for financing customers' purchase of hybrid vehicles. Despite being considered to be more carbon efficient, hybrid vehicles still consume fossil fuel and produce carbon emission. This limits the financing of hybrid vehicles to a lower EB Rating than electric vehicles with zero tail-pipe emissions.

Additionally, RAM Sustainability views HLBB's Framework as having *Intermediate* level of disclosure where it incorporates details that we view to be in line with best practices. Our key assessment areas are illustrated in Table 1:

Table 1: RAM Sustainability's Assessment on HLBB's Framework

Components	SRI SUKUK ⁴	ASEAN	ICMA	Best Practices	RAM's Overall Opinion
Utilisation of Proceeds (By Asset/Project Category):	Core	Core	Core	Yes	<i>Intermediate</i>
i) Eligibility Criteria Disclosure Quality	-	-	-	Yes	<i>Intermediate</i>
ii) Indicative Proceeds Allocation	-	-	-	-	<i>Intermediate</i>
iii) Exclusion List:					
- Issue Transaction-level	-	Fossil Fuel Power Generation Ineligible	-	Yes	<i>Intermediate</i>
- Group-level	-	-	-	Yes	<i>Intermediate</i>
Project Evaluation & Selection	Core	Core	Core	Yes	<i>Intermediate</i>
Management of Proceeds	Core	Core	Core	Yes	<i>Intermediate</i>
Reporting Commitments:					
i) Allocation reporting	Core	Core	Core	Yes	<i>Intermediate</i>
ii) Impact reporting	Core	Core	Core	Yes	<i>Intermediate</i>

⁴ While HLBB's programme is not a Sukuk, we have included the SRI Sukuk Framework in this table for comparison purposes.

1. CORPORATE PROFILE

Incorporated in 1905, HLBB is a Malaysian-based regional financial services institution that provides commercial banking and related services. The Issuer’s business segment includes Personal Financial Services, Business & Corporate Banking, Global Markets, and other operations. With over RM245 billion of assets as of end-December 2021, the Issuer is Malaysia’s fifth largest banking group by assets and fourth largest by market capitalisation. The Issuer serves clients in Singapore, Hong Kong, Vietnam, Cambodia, and China through its associate Bank of Chengdu. **Figure 1** highlights the Issuer’s corporate structure:

Figure 1: Corporate structure of HLBB



2. REVIEW OF HONG LEONG BANK’S GREEN BOND FRAMEWORK

The focus areas reviewed are grouped under the four principles embedded in the following applicable standards and guidelines - **the ASEAN GBS and the ICMA GBP**.

Table 2: Four core components

Item	Focus Area
2.1	Utilisation of proceeds
2.2	Project evaluation & selection
2.3	Management of proceeds
2.4	Reporting commitments

For detailed comparisons, please refer to **Appendix 1** for the ASEAN GBS Checklist, and **Appendix 2** for the ICMA GBP External Review Form.

2.1. Utilisation of Proceeds

Several categories of eligibility for green assets/projects are recognised under the ASEAN GBS and the ICMA GBP. Broadly defined, green assets/projects refer to innovative, climate-friendly assets/projects that help deliver clear environmental benefits.

The proceeds from HLBB’s green bond will be used to finance or refinance eligible new or existing green assets/projects which meet the eligibility criteria as set out in its Framework. Where relevant, the proceeds may be used to finance entities that derive 80% or more of their revenues from green assets/projects which meet the eligible criteria. The proceeds may also be utilised to fund HLBB’s own initiatives within its operations for eligible assets/projects as listed in the Framework.

The Framework's disclosure quality on utilisation of proceeds and indicative proceed allocation are viewed to be in line with best practice. The eligibility criteria thresholds cover assets/projects of the first tranche issuance and future proceed allocations of the green bond. Additionally, the Framework excludes the financing of fossil fuel power generation projects and any other projects/activities which do not comply with the eligibility criteria.

2.2. Project Evaluation & Selection

HLBB's Framework describes its sustainability objectives and criteria for its eligible assets/projects. Based on the additional information provided by HLBB, we recognise the environmental and social risk assessment for RE and GB assets/projects. However, there is limited disclosure for the risk assessment for EE, WM, and ST assets/projects. We also understand that HLBB has in place its Business and Corporate Banking (BCB) ESG Policy to guide its assessment for its client-related projects or assets. The relevant business units will undertake the necessary evaluation as part of its credit evaluation process prior to recommending eligible assets/projects to HLBB's Sustainability Committee. The final review and approval of the eligible assets/projects will be conducted by the Sustainability Committee.

2.3. Management of Proceeds

The proceeds will be allocated to a portfolio of eligible assets/projects i.e. Green Portfolio, selected as per the evaluation and approval process. The Green Portfolio's allocation shall match or exceed the balance of net proceeds from its outstanding HLBB Green Bonds. Where necessary, additional eligible assets/projects will be added to the Green Portfolio to ensure sufficient and timely allocation of any incremental net proceeds. HLBB will monitor the proceeds allocation and Green Portfolio through its internal information systems. Any green loans that are part of this Green Portfolio will be tagged in the system.

During the life of the issued HLBB Green Bond, if any eligible assets/projects no longer meet the eligibility criteria of the Framework, the Issuer will use its best efforts to ensure replacements with applicable assets/projects that match the predefined eligible asset/project categories and allocate the proceeds to those assets/projects as soon as is practicable.

Pending allocation, HLBB will hold the balance of unallocated net proceeds in highly liquid assets such as cash, cash equivalents and/or other liquid marketable instrument until the amount can be channelled towards the Green Portfolio. We opine that the process for management of proceeds is sound.

2.4. Reporting Commitments

Transparency in reporting is crucial in the issuance of green bonds. The ASEAN GBS require the issuers of green bonds to establish a formal process to communicate the allocation of proceeds and the positive impact created.

HLBB is committed to publish a report on an annual basis on its website, that provides information on the allocation of proceeds by eligibility criterion, along with the type of projects or businesses that are being financed and the remaining balance of unallocated proceeds at the end of the reporting period. This report will be made publicly available via HLBB's website (www.hlb.com.my).

Where provided, subject to confidentiality agreements and competition issues, additional information, case studies or examples of financed projects or businesses will also be provided in the report. HLBB's Sustainability Committee and Board Risk Management Committee will review and approve the annual reporting process. HLBB will engage an external party to provide independent verification and assurance on its reporting and proceeds management, in accordance with the Framework.

Impact-Reporting Indicators

Impact-reporting illustrates the environmental benefits of the various assets/projects financed. Where relevant and possible, HLBB's reporting commitments are on selected impact metrics, per project or in aggregate for all projects financed by the proceeds. Table 3 indicates the impact-reporting indicators included in HLBB's Framework.

Table 3: Impact-reporting indicators

Asset/Project Category	Impact-reporting indicators
Renewable Energy	<ul style="list-style-type: none"> Energy generated per year (MWh) GHG emissions avoided per year, reported in tonnes CO₂-equivalent (tCO₂e)
Energy Efficiency	<ul style="list-style-type: none"> Energy saved per year (MWh) GHG emissions reduced / avoided per year (tCO₂e)
Green Buildings	<ul style="list-style-type: none"> Building assets by type and green building certification level Energy savings per year (MWh) GHG emissions avoided per year (tCO₂e)
Waste Management	<ul style="list-style-type: none"> Tonnes of recycled waste Tonnes of waste diverted from landfill
Sustainable Transportation	<ul style="list-style-type: none"> Number of electric/fuel cell/hybrid vehicles financed GHG emissions avoided per year (tCO₂e)

3. SUSTAINABILITY ASSESSMENT

3.1. National-Level Drivers

RAM Sustainability opines that HLBB's Green Bond will support the following national-level objectives and plans that are related to the areas defined under the eligible asset/project categories:

Table 4: National-level objectives and plans

Asset/Project Category	National-Level Objectives and Plans
Renewable Energy	<p><u>Increasing RE generation</u></p> <p>Under the Malaysia Renewable Energy Roadmap (MyRER), the GoM aims to achieve a 31% RE mix by 2025 and 40% by 2035⁵. Imposed in 2011, the Renewable Energy Act targets to raise the contribution of clean and renewable energy sources, such as solar photovoltaic systems, biomass, biogas, and hydro power in Malaysia's electricity generation mix. A key driver of the RE sector is the feed-in tariff mechanism implemented and managed by the Sustainable Energy Development Authority (SEDA) of Malaysia. This mechanism ensures and sustains long-term contracts for power generated by RE sources.</p>
Energy Efficiency	<p><u>Improving Energy Efficiency</u></p> <p>As per the National Energy Efficiency Action Plan (NEEAP), the GoM targets cumulative electricity savings of 52.2 TWh from 2016 to 2025, corresponding to an 8% reduction in electricity demand growth by 2025. Key EE initiatives outlined in the NEEAP include:</p> <ol style="list-style-type: none"> Promoting cogeneration in industrial and commercial buildings; Facilitating energy audits and implementation of energy saving measures and energy management initiatives; Incorporating EE in new building designs and construction; Promoting 5-star energy efficient electrical appliances; and Developing minimum energy performance standards for new equipment and appliances and promoting energy efficient lighting

⁵ Source: *Putrajaya kicks off Renewable Energy Roadmap to achieve 40% RE capacity by 2035* published in The Edge Markets dated 30 December 2021

Asset/Project Category	National-Level Objectives and Plans
Green Building	<p><u>Increasing Green Buildings</u></p> <p>Under the Green Technology Master Plan, the GoM targets to increase the total number of green buildings from 550 (FY 2020) to 1,750 by 2030. Building energy efficiency is a key action plan for Malaysia to achieve its emission reduction targets. Some of the measures identified include:</p> <ul style="list-style-type: none"> i) Provision of grants for energy audits and energy management for commercial buildings; and ii) Energy audits, management and retrofit of government office buildings and hospitals. Further, Malaysia has developed several national-level green rating tools for buildings, namely GBI, Malaysian Carbon Reduction and Environmental Sustainability Tool (MyCREST), Penarafan Hijau (pH), and Green Real Estate (GreenRE). These rating tools assess a building’s performance with respect to specific environmental considerations (i.e. energy efficiency, carbon emissions, water efficiency etc.)
Waste Management	<p><u>Enhancing Waste Management</u></p> <p>The waste generated in Malaysia in 2005 was 19,000 tons per day with a recycling rate of 5% and rose to 38,000 tons per day in 2018 at a recycling rate of 17.5%⁶. The 12th Malaysia Plan outlines the efforts of the government in strengthening solid waste management and targets to achieve 35% and 40% recycling rate of scheduled waste and household waste, respectively, by 2025. Several initiatives by the GoM includes:</p> <ul style="list-style-type: none"> i) Intensifying the 3Rs (Reduce, Reuse, Recycle) initiative—to promote lower consumption, emission, and waste creation; ii) Malaysia’s Roadmap Towards Zero-Single Use Plastics (2018-2030), which takes a phased, evidence-based, and holistic approach to address single-use plastics in Malaysia
Sustainable Transportation	<p><u>Promoting the Use of Sustainable Transportation</u></p> <p>Transportation system is the backbone of Malaysia’s economic development while accounting for 40% of energy consumption and 30% of GHG emissions. In the 12th Malaysia Plan, GoM has set a target to reduce GHG intensity in GDP by 40%, relative to year 2005. The following is the national policy developed to promote low carbon transportation:</p> <ul style="list-style-type: none"> i) National Automotive Policy, which incentivises local automotive players to research and produce Energy Efficient Vehicles (EEV)

3.2. Group-Level Sustainability Management

Established Sustainability Risk Management

Due to the accelerating ESG risk, a Sustainability Risk Governance Framework was developed to address ESG risks that may arise during the implementation of HLBB’s business strategies, policies, and initiatives. HLBB have incorporated ESG risks into its overall Risk Management Framework, where an enterprise view of all the risks that are material to HLBB are taken and acted on by management of HLBB, with oversight provided by its Board of Directors and delegated Board Committees. The Board of Directors delegates the implementation and monitoring of the effectiveness of the execution of strategic priorities to the Board Risk Management Committee (BRMC). With the restructuring of the Sustainability Risk Governance Framework, the Sustainability Committee and Sustainability Working Committee are formed to impose sustainability strategies, management, and mitigation of ESG risks associated with physical and transition risk, and periodic reporting to BRMC on execution statuses as well as the results attained. This is coordinated and monitored by the Sustainability Department and the Sustainability Risk Department. HLBB also applies the Three Lines of Defense model to employ control mechanisms for risk management, along with the implementation of Sustainability Risk Management Tools, to manage ESG risks.

⁶ MIDA: Sustainable Waste Management in Malaysia: Opportunities and Challenges

ESG Risk Management in Lending Activities

In FY 2021, HLBB embedded a BCB ESG policy and assessment framework within its credit approval procedure. This policy was developed with influence from SDGs, Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF), International Finance Corporation (IFC) Performance Standards, and Bank Negara Malaysia's (BNM) Climate Change and Principle-based Taxonomy⁷ Discussion Paper. The policy will help the business units in evaluating environmental and social risks associated with its lending and financing activities. During the initial screening process, HLBB ensures that the customer's business operation does not fall under the exclusion list before proceeding to the next phase. The industry of the respective business will then be screened if it imposes high environmental and social risks. If it is classified as a high-risk sector, that customer will be subjected to enhance its environmental and social due diligence before proceeding to the credit assessment process.

Providing Environmentally Responsible Financing

HLBB has been championing environmentally responsible financing by acknowledging the detrimental effects of climate change. ESG risk considerations are integrated into their lending or financing practices, along with developing sustainable financing products as part of its business strategy. As of the end of FY2021, HLBB has approved a total of more than RM1.4 billion to facilitate the development of renewable energy projects, including solar, bioenergy and small hydropower⁸. HLBB is also one of the largest supporters of the government's Green Technology Financing Scheme (GTFS). At the end of FY 2021, HLBB has supported close to 30 projects under GTFS with total loans approved of close to RM300 million⁹.

Environmental and Social Initiatives

Menara Hong Leong has obtained a GBI Silver Rating. In addition, HLBB is committed to sustainable business practices, which extends across its value chain. In FY 2021, HLBB revised their Procurement Policy with the inclusion of sustainability and incorporated in an ESG Assessment. The sustainable procurement framework will guide the development of commercial partnerships with HLBB's suppliers that meets its sustainability standards.

On the social front, HLBB is committed to connect and empower the local community through its CSR platforms, such as DuitSmart and JumpStart. DuitSmart is a platform which combats financial illiterate concerns across the nation, especially students and the underprivileged. JumpStart is a platform that supports social enterprises to build their sustainable business via 5 pillars: Financial Knowledge, Tools and Digitalisation, Branding and Marketing, Commercialisation and Volunteerism.

Alignment to International Guidance and Standards

In tandem with the rise of sustainable finance, the SDGs have been widely approved by many financial market participants since their launch in 2015. For many institutional investors, the SDGs provide a harmonized structure to align investments with key sustainability issues that affect the world today. 15 material topics were organised under HLBB's 5 Sustainability Themes, which are mapped to 12 out of 17 SDGs.

HLBB's Sustainability Report is also aligned with the Task Force on Climate-Related Disclosures (TCFD) in addressing climate-related disclosures. TCFD was created by Financial Stability Board (FSB) to develop a harmonized climate-related financial risk disclosures to be used by companies, banks, and investors in providing information to stakeholders.

Review of Governance Policies and Guidelines

HLBB has established a Code of Business Conduct, which articulates the expected standards of behaviour for all employees. In addition, HLBB is guided by other board-approved policies such as its:

- i) Sustainable Procurement Practices for Business Partners;

⁷ Climate Change and Principle-based Taxonomy was issued by BNM on 30 April 2021 as a guideline for financial institutions to integrate climate change considerations in all aspects of their business strategies and operations.

⁸ Hong Leong Bank Sustainability Report 2021

⁹ Hong Leong Bank Sustainability Report 2021

- ii) Group Prevention of Financial Crimes Guideline;
- iii) Anti-Bribery and Corruption Policy;
- iv) Whistleblowing Policy;
- v) Business & Corporate Business (BCB) Environmental, Social & Governance Policy;
- vi) Wealth Management Services Environment, Social & Governance (ESG) Framework; and
- vii) Group Environment Policy on Energy, Water and Waste Management.

Controversy Scan

RAM Sustainability undertook a scan of HLBB on 30 March 2022. We did not observe any controversy pertaining to the environmental, social or governance practices of HLBB.

APPENDIX 1

APPENDIX 1: ASEAN GREEN BOND STANDARDS (ASEAN GBS) CHECKLIST

Reference:

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

Item	No.	Requirement	Alignment	Comment
Eligibility of Issuers	3.1	<ul style="list-style-type: none"> 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.
	3.2	ASEAN Green Bonds issuances must be originated from any of the ASEAN member countries.	Yes	The Green Bond issued under the Framework originates from Malaysia.
Eligible Green Projects	4.1.5	There are several broad categories of eligibility for Green Projects which contribute to environmental objectives such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control. The categories include renewable energy, energy efficiency, pollution prevention and control, and production technologies and processes.	Yes	<p>HLBB's Green Bond will be used to finance and/or refinance eligible project categories stated in the Framework:</p> <ul style="list-style-type: none"> (i) Renewable Energy (ii) Energy Efficiency (iii) Green Building (iv) Waste Management (v) Sustainable Transportation <p>(i)-(v) are aligned with the Eligible Green Project's objectives and categories, i.e. renewable energy, energy efficiency, pollution prevention and control, and production technologies and processes.</p>
Ineligible Projects	4.1.6	For clarification purposes, fossil-fuel power generation projects are excluded from the ASEAN GBS.	Yes	The Issuer has stipulated in the Framework that projects utilising fossil fuel for power generation are not eligible for funding.
Continuous Accessibility to Information	4.2.1	<p>The Issuer of ASEAN Green Bonds must clearly communicate the following to investors:</p> <ul style="list-style-type: none"> i) The environmental sustainability objectives; ii) The process by which the Issuer determines how the projects fit within the eligible Green 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 risks associated with the Green Projects. 	Yes	<p>We note that the Framework contains sustainability objectives and eligibility criteria for the respective assets/projects category.</p> <p>Based on the additional information provided by HLBB, we recognise the environmental and social risk assessment for RE and GB assets/projects. We also understand that HLBB has in place its Business and Corporate Banking (BCB) ESG Policy to guide its assessment for its client-related projects or assets.</p>
	4.2.5	<p>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 the ASEAN Green Bonds:</p> <ul style="list-style-type: none"> i) The process for project evaluation; ii) The use of proceeds; and iii) The external review report on the process (if any). 	Yes	The Issuer is committed to publish the Framework on its corporate website (www.hlb.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. The second opinion report will be made publicly available on HLBB's corporate website and RAM's website (www.ram.com.my), upon the Issuer's consent.
	4.3.1	Prior to the issuance of the ASEAN Green Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Green Bonds the process for managing the net proceeds from the ASEAN Green Bonds.	Yes	The process for managing net proceeds is described in the Framework. It will be allocated to a portfolio of eligible assets/projects, i.e. Green Portfolio, selected as per the evaluation and approval process. Please refer to Section 2.3 Management of Proceeds.

	4.3.4	The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Green Bonds the intended types of temporary placement for the balance of unallocated proceeds.	Yes	When the aggregate amount in the Green Portfolio is less than the total outstanding amount of HLBB Green Bonds issued, HLBB will hold the balance of unallocated amount in cash, cash equivalents and/or invest in other liquid marketable instruments in HLBB's liquidity portfolio until the amount can be channelled towards the Green Portfolio.
	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 Green Bonds.	Yes	The Issuer is committed to publish a report each year, consisting of allocation reporting and impact reporting. This report will be made publicly available on the Issuer's corporate website. HLBB also have intentions to engage with an external party to provide independent review on its reporting and management of proceeds, in accordance with its Framework.
Encourage More Frequent Reporting	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 Green Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated and their expected impact.	Yes	HLBB's Framework dictates that the Issuer is committed to publishing a report annually on its website, which will provide information on the allocation of proceeds by eligibility criterion, type of projects/assets financed, and the remaining balance of unallocated proceeds at the end of the reporting period. This report will be made publicly available on the Issuer's corporate website. Additionally, HLBB's Framework reports specific impact indicators for each eligible assets/projects.
External Review	5.1	Issuers are recommended to appoint external review providers for the issuance of their ASEAN Green Bonds.	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 and the ICMA GBP, as well as the sustainability responsibilities of the Issuer.
	4.2.4	It is recommended that the Issuer's processes for project evaluation and selection be supported by an external review.	Yes	The second opinion report by RAM Sustainability covers project evaluation and selection.
	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 Green Bonds proceeds.	No	This is a voluntary process. The Issuer plans to appoint an auditor or other third party to verify the internal tracking method and allocation of issuance proceeds from the Green Bond.
	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.	No	This is a voluntary process. The Issuer plans to appoint an auditor or other third party to verify the internal tracking method and allocation of issuance proceeds from the Green Bond. The report produced by the auditor or other third party will be publicly available on a website.
	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.	No	This is a voluntary process. The Issuer plans to appoint an external reviewer to confirm the accuracy of the Issuer's annual reporting on the use of proceeds.

APPENDIX 2



Green Bond / Green Bond Programme External Review Form

Section 1. Basic Information

Issuer name: Hong Leong Bank Berhad (HLBB)

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: Hong Leong Bank Berhad's (HLBB) Green Bond Framework

Review provider's name: RAM Sustainability Sdn Bhd

Completion date of this form: 7 April 2022

Publication date of review publication: 7 April 2022

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:

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

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 the Summary of Second Opinion Report on HLBB's Green Bond 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):

Proceeds from the issuance of the Green Bond by HLBB will be utilised to finance and refinance the following eligible assets/projects:

- Renewable Energy
- Energy Efficiency
- Green Building
- Waste Management
- Sustainable Transportation

The eligibility criteria for each category are described in the Framework.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" 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 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:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

The Issuer has outlined the measures established to identify eligible projects to be funded. Relevant business units of the Issuer will screen and select the assets/projects via the eligibility criteria as described in the Framework. HLBB's Sustainability Committee will then review and approve the eligible assets/projects proposed by the relevant business units to ensure compliance with the Framework.

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input type="checkbox"/> Defined and transparent criteria for projects eligible for Green 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 type="checkbox"/> Other (please specify): |

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 proceeds from the Green Bond will be used to finance or refinance new or existing green assets/projects that meet the eligibility criteria within the pre-defined green assets/projects categories. The proceeds will be allocated to a portfolio of eligible assets/projects (Green Portfolio), selected as per the evaluation and approval process by the relevant business units and HLBB's Sustainability Committee. HLBB will strive to reach an allocation level for the Green Portfolio that matches or exceeds the balance of net proceeds from its outstanding green bonds.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

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 checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

HLBB is committed to publishing an annual report that consists of allocation reporting and impact reporting that provides the relevant information. This report will be made publicly available via Hong Leong Bank's website (www.hlb.com.my).

HLBB has reported specific impact indicators of each eligible assets/projects in its Framework.

Use of proceeds reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|--|---|
| <input 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 type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify):
Tonnes of recycled waste, Tonnes of waste diverted from landfill |

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 type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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.hlb.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:

RAM SUSTAINABILITY SDN BHD

7 APRIL 2022

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP

- 1) **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- 2) **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- 3) **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- 4) **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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 a member of ICMA's Advisory Council to the GBP and SBP Executive Committee for a third consecutive terms. 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 USD450 billion of bonds issued by over 750 entities. 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. 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.

RAM Solutions Sdn Bhd, founded in 2016, provides independent credit opinions on ventures listed on a multi-bank, web-based platform known as the Investment Account Platform. As a subsidiary of RAM Holdings, Bond Pricing Agency Malaysia Sdn Bhd is the sole provider of bond-pricing and valuation data on the Malaysian bond market. For further Details, please refer to <https://www.ram.com.my>.





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