

Hong Leong Investment Bank Green Bond Framework

May 2024



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GREEN BOND FRAMEWORK

1. Introduction

The Green Bond Framework (“**Framework**”) sets out the guidelines for Hong Leong Investment Bank Berhad’s (“**HLIB**”) Green Bond issuances in accordance with the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum in November 2017 and revised in October 2018 (“**ASEAN GBS**”) and the Green Bond Principles issued by the International Capital Market Association in June 2021 (“**ICMA GBS**”).

2. Use of Proceeds

The proceeds from HLIB’s Green Bond issuances (“**Proceeds**”) will be used to subscribe to new or existing bonds/Sukuk and/or finance or refinance new or existing projects which meet the Eligibility Criteria outlined below. Where relevant, the Proceeds may also be used for companies that derive 80% or more of their revenues from projects which meet the Eligibility Criteria (“**Eligible Projects**”).

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Eligibility Criteria

A. Transportation

Infrastructure
(for public use)

- Development and operation of urban mass transit systems:
 - Electric mass passenger vehicles.
 - Infrastructure upgraded for electrified rails, trains and buses.
 - Infrastructure for low-carbon and efficient transport.
 - Non-motorised transport.
 - Urban planning and development that leads to a reduction in the use of passenger cars e.g. developing car-free city areas, high-occupancy vehicle lanes, road pricing, parking management.
- Design and construction of climate resilient /climate-proofed transport network:
 - Research on technology to improve safety standards and design of rail asset to withstand adverse weather conditions.
 - Deployment of rail line detector to detect cracks along railway networks.

Technology

- Vehicle fleet energy efficiency technology and logistical software.

Freight/
Passenger
Transportation

- Vehicle, rail or boat fleet retrofit or replacement with technologies including hybrid, electric or hydrogen technologies.
- Development or improvement of railway transport to ensure a modal shift from road to rail.
- Development or improvement of water transport to ensure a modal shift from road to waterways.
- Fleet optimisation and route management.

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B. Waste Management

Reducing,
Reusing , and
Recycling

- Waste minimisation, collection, management, recycling, re-use, processing disposal, infrastructure, technologies and solutions, such as:
 - Solid waste management.
 - Liquid waste management.
 - Sewage water treatment plant.
 - Biological treatment facilities.
 - Recycling and utilisation of industrial solid wastes, exhaust gas and effluent.
-

C. Renewable energy

Production,
manufacturing,
operation and
maintenance of
renewable
energy
sources/
Infrastructure

- Solar generating facilities.
 - Hydropower electricity generating facilities¹.
 - Tidal or wave energy generating facilities².
 - Geothermal electricity generating facilities².
 - Production of zero carbon fuels e.g. hydrogen, ammonia etc.
 - Bio energy producing biofuel, biomass, biogas including fuel preparation process facilities, pre-treatment facilities and bio refinery facilities for various purposes².
-

¹ The maximum GHG emissions of 425 gCO₂e/kWh from such facilities only applies when financing new hydropower plants.

² Lifecycle GHG emissions from the generation of electricity by the facilities shall not exceed 425 gCO₂e/kWh.

GREEN BOND FRAMEWORK

D. Water Resources

Sustainable water and wastewater management

- Development and/or deployment of technology to treat and recycle wastewater, thus greatly reducing the use of new freshwater resources.
- Water conservation and rainwater harvesting in areas prone to water stress.
- Integrated planning and sound management of water resources (water supply, demand and quality).

Flooding mitigation

- Design and development of flood early warning systems and flood defence systems.
- Building of flood barriers such as flood walls and seawalls to protect from future flooding.
- Improvement in drainage to cope with increased frequency/severity of floods arising from intense rainfall.
- Deployment of early warning system as a pre-emptive measure to reduce damage from flood.
- Increase of water storage capacity by building a dam¹, practicing aquifer storage and recovery, removing accumulated sediment in reservoirs or lowering water intake elevation.

¹ EIA must be conducted to ascertain the negative impact to the environment and community before the commissioning of a dam, with solutions in place to address these negative effects. The long term benefits must outweigh the costs to the environment and impacted communities.

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D. Water Resources (cont'd)

Coastal Areas

- Building of sea walls in low-lying islands to stop coastal erosion.
- Research on population exposure to sea level rise and related impacts.
- Conservation of mangroves and coral reefs to protect coastal zones from weather-related catastrophes and to preserve fish spawning grounds.

E. Forestry

Agriculture, Forests and Land Conservation

- Projects relating to :
 - avoidance of GHG emissions.
 - lowering emissions for each calorie or kilo of food produced.
 - maintaining or strengthening land carbon sinks, including:
 - Afforestation.
 - Reforestation.
 - Restoration or rehabilitation of forest, croplands, grasslands, and wetlands.
 - Sustainable forest management.
 - Forest and peatland conservation.
- Regenerative agriculture.
- Development of technology for climate-vulnerable farmers to make informed decisions on production and sale of their crops.

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E. Forestry (cont'd)

Soil
management

- Adoption of diversified agriculture production.
- Soil and water management to increase water availability in areas experiencing increased water stress.
- Research, development and commercialisation of drought-resistant crop varieties to increase crop yield.
- Conservation of forestry with the primary objective of supporting the adaptation of others.

Sustainable
forestry

- Use of early warning systems or wildfire control measures.
- Use of regeneration material (species and ecotypes) less sensitive to strong wind or timely management of seedling stand and timely thinning.
- Adoption of sound forestry practices and use of endemic tree species that are less vulnerable to storms and fires.
- Afforestation or restoration of former forest areas utilising natural seed banks and existing plants.
- Adopt sustainable forest management and sound harvesting techniques to reduce soil erosion and vulnerabilities to wildfires.

Where applicable, to meet Land Use, Land-use Change and Forestry (LULUCF) regulation, carbon stocks shall increase above the carbon baseline over a period of 20 years for afforestation and reforestation projects and shall increase over the rotation period for restoration projects, and be maintained or increased in the case of existing forest management and conservation forests.

Exclusion Criteria: Any project that reduces the existing natural carbon sink without replacing it.

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F. Energy Efficiency*

Public Services
and Utilities

- Improvement of heat efficiency of utilities such as waste heat recovery improvements for district power generation, cooling systems, boilers with energy efficient alternative, retrofit with renewable energy power.
- Retrofit of distribution systems, transmission lines or substations to reduce energy use and/or losses.

Energy
Efficiency
Technology

- Energy saving technology such as smart meters and lighting for public, commercial and domestic services (not including real estate).
- Projects that achieve improvement in energy use and/or carbon emissions compared to baseline emissions.
- Manufacture of components and/or services that relate to enabling energy efficiency.

** Energy Efficiency projects will be limited to projects which achieves a minimum of 30 per cent (%) improvement in energy performance.*

G. Green Building#

Real Estate
(Commercial
and
residential)

- Construction of new buildings, purchase of new/existing buildings, and/or retrofit of existing buildings, including services related to design and consultancy, audits, testing, and commissioning of equipment, system and services of buildings certified to an acceptable level under an internationally or domestically recognised green building certification scheme

Real estates certified by LEEDs, GBI and GreenRE will be with a certification rating of Gold and above. Real estates certified by GreenMark will be with a certification of GoldPlus and above.

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H. Green Technology / Manufacturing

Manufacturing and distribution of green products	<p>Procurement, development, manufacturing and/or distribution of products or components designed to have a positive environmental impact in terms of reducing either carbon emissions, waste, energy use or water use and material use for circularity and/or adaptive re-use e.g. life cycle analysis:</p> <ul style="list-style-type: none">• Smart grid and energy internet.• Energy efficient retail/industrial appliances.• Low carbon transport vehicles¹, equipment and infrastructure, electric rail supply chain.• Energy storage equipment or solutions.• Deployment of Carbon Capture and Utilisation (“CCU”) or Carbon Capture and Storage (“CCS”) technologies. Note: CCU/CCS can be eligible in any sector/activity if it enables that primary activity to operate in compliance with the threshold – for example, steel, cement or electricity production.
Construction	<ul style="list-style-type: none">• Adapting construction/infrastructure with capability to cope with future climate conditions and extreme weather events.• Design and/or construction of infrastructure to cope with rising sea levels.

¹Hybrid vehicles are limited to tailpipe CO₂ emissions of less than 75g per km per passenger

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I. Aquaculture

Fisheries

- Adoption of environmentally-sustainable fisheries and aquaculture, such as fish farming ponds.
- Research and development in to the range of fish species and monitoring of fish stocks to understand the impacts of climate change.

For renewable energy, waste management, green technology, and energy efficiency, the Proceeds may also be used to fund HLIB's own initiatives within its operations.

There is no preset allocation for each Eligible Project category. HLIB's allocation will be determined on a case to case basis subject to the availability of Eligible Projects and Bonds/Sukuk, which is also driven by availability of issuances in the market. If there is/are issuances in the market which fit the Eligibility Criteria, HLIB will assess its suitability and allocate the proceeds accordingly.

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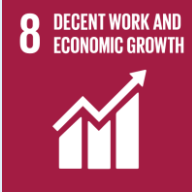

3. Project Evaluation and Selection Process

Sustainable Objectives

HLIB has adopted Hong Leong Capital Berhad, its parent company’s Sustainability Framework and strategises sustainability to be driven by four (4) pillars:




1. Engaging on Sustainability
2. Addressing Climate Change
3. Strengthening Internal Capabilities
4. Impactful Digitalisation

Within these pillars, we have mapped out the initiatives that contribute impact to 6 out of 17 the Sustainable Development Goals (“SDGs”).

Strengthening Internal Capabilities	Talent Attraction, Development & Retention	Establishing a sustainable, high-quality talent stream, whilst also fostering a growth mindset in our employees to ensure their adaptability in the ever-evolving business and technological landscape.	
	Diverse and Inclusive Workforce	Promoting and embracing a diverse and inclusive workplace, whereby all employees are treated equally and without discrimination, thus encouraging productivity and innovation.	
	Creating a Fair and Nurturing Workplace	Creating an inclusive and supportive work environment which prioritises employees health and safety, improve their well-being, and promote work-life balance via effective policies, processes, and labour standards.	
	Fostering a Sustainability-Driven Culture	Establishing a corporate culture that embraces and promotes sustainable practices, values, and behaviours throughout the organisation, including encouraging employee volunteerism and implementing ESG capacity-building programmes.	




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Impactful Digitalisation	Digitalisation and Innovation	Leveraging advanced data analytics and digital systems to develop innovative products aligned with customers' needs, whilst simultaneously increasing accessibility of our products to new and existing customers.	
	Client Experience	Embedding a client-centric culture throughout the organisation and undertaking initiatives to enhance end-to-end client experience satisfaction; leading to higher client retention rates.	
	Privacy, Data Protection & Cybersecurity	Safeguarding employees' and clients' data from unauthorised access, cyber attacks and threats through responsible collection, handling, storage and protection of personal and proprietary data.	
Addressing Climate Change	Managing Our Operational Environmental Footprint	Responsibly optimising resource efficiency to effectively manage the environmental footprint of our operations, especially in the area of energy management, paper consumption, water consumption, and GHG emissions.	
	Building Climate Resilience	Embedding climate-related risks into our risk management and operational framework to facilitate a seamless transition towards a low-carbon economy, including reducing exposure to high-risk sectors and supporting low carbon solutions.	

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Engaging on Sustainability	Fair Treatment of Financial Consumers	Ensuring fair treatment of our customers throughout our operations by prioritising their financial needs and risk appetite, as well as providing transparent, accurate, and comprehensive information about our products and services.	
	Good Governance & Ethical Business Conduct	Committed to conducting our business and operations professionally, while adopting the highest standards of ethics, integrity, transparency, and accountability, in order to maintain stakeholders' trust in the organisation.	
	Sound Risk Management	Upholding a strong compliance culture throughout the organisation to ensure adherence to applicable laws, regulations, and standards, as well as preventing financial crimes including money laundering, terrorism financing, fraud, corruption, and bribery. Adopting a systematic and comprehensive risk management approach in identifying and mitigating emerging risks to our business activities by investing in people, technology, policies, and processes.	
	ESG Integration into Financial Products	Integrating ESG factors into fund management processes including through impact investing and screening, as well as supporting our clients' low-carbon transition journey via the issuance of green and sustainable finance.	
	Financial Inclusion & Literacy	Empowering individuals and businesses to improve their financial well-being by promoting financial literacy and facilitating accessibility of affordable financial services to all segments of society.	
	Sustainable Supply Chain	Upholding sustainability procurement principles across the supply chain via robust supplier policies, assessment, and engagement practices, whilst also encouraging supplier diversity to include local businesses.	
	Human & Labour Rights	Implementing policies and performing due diligence to ensure the protection and respect of human rights throughout our value chain and business operations, including prevention of human rights violations.	
	Supporting Social Enterprises and Communities	Forming strategic partnerships with social enterprises for community empowerment programmes as a way of creating long-term environmental and social impact for underserved communities across our operations.	

**Obtained from Hong Leong Capital Berhad's 2023 Annual Report*

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Sustainability Objectives

We have also mapped out the relevance of our sustainability initiatives to the UN Global Compact, mainly on Principle 7, Principle 8 and Principle 9 with regards to environmental practices.

Our evaluation and selection process primarily focuses on the “Addressing Climate Change” pillar, where the guiding principle of this initiative is to achieve the same goals as stated in SDG 13 – Climate Action.

Application of Eligibility Criteria in Project Selection

The relevant business units are responsible for the screening and selection of projects using the Eligibility Criteria as part of the credit evaluation process. For avoidance of doubt, fossil fuel power generation projects and any other projects that do not comply with the Eligibility Criteria are ineligible for the use of the Proceeds.

HLIB’s Sustainability Steering Committee is responsible for the review and approval of the projects proposed by the relevant business units to ensure compliance with the Framework.

In our project evaluation and selection process, we will also look into, amongst others, the strength and reputation of the developer undertaking the project, feasibility studies of the project, concession agreements (if any), environment assessments, appointment of EPC and O&M contractors and their track records as and when available. Where possible, HLIB will try to obtain a copy of the Environmental Impact Assessment report. This process enables HLIB to identify and manage any perceived or known environmental or social risks associated with the Eligible Projects.

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4. Management of Proceeds

The proceeds from the HLIB Green Bond issuances will be used to subscribe to new or existing bonds/Sukuk and/or finance or refinance new or existing projects which meet the Eligibility Criteria (“**Green Portfolio**”), selected as per the evaluation and approval process set out above. HLIB shall strive to achieve a level of allocation for the Green Portfolio that matches or exceeds the balance of net Proceeds from its outstanding HLIB Green Bonds. Where necessary, additional Eligible Projects will be added to the Green Portfolio to ensure sufficient and timely allocation of the incremental net Proceeds. HLIB will monitor the allocation of the Proceeds and the Green Portfolio through its internal information systems.

During the life of the issued HLIB Green Bonds, if any of the Eligible Projects cease to comply with the Framework, HLIB will identify other projects that comply with the Framework and reallocate the Proceeds to those projects as soon as is practicable.

Where the aggregate amount in the Green Portfolio is less than the total outstanding amount of HLIB Green Bonds issued, HLIB may hold the balance unallocated amount in cash, cash equivalents and/or invest in other liquid marketable instruments in HLIB’s liquidity portfolio until the amount can be channeled towards the Green Portfolio.

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5. Reporting

Allocation Reporting

As long as there are outstanding HLIB Green Bonds issued under this Framework, we will publish a report on an annual basis on our website that includes, at the minimum, the following information:

- Allocated proceeds by eligibility criteria, together with a description of the types of projects and businesses that are being financed; and
- The remaining balance of unallocated Proceeds at the end of the reporting period.

Where possible, we will also provide additional information, or examples of financed projects or businesses, subject to consideration such as confidentiality agreements and competition issues.

The annual reporting will be reviewed and approved by HLIB's Sustainability Steering Committee and Board Audit and Risk Management Committee. Furthermore, we may engage an external party to provide an independent verification and assurance on our reporting and management of Proceeds in accordance with this Framework.

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Impact Reporting

Where relevant and possible, we will also report on selected impact metrics (per project or in aggregate for all projects financed by the Proceeds), which may be measured using the indicative impact metric including but not limited to the examples provided in the table below:

Eligibility Criteria	Examples of Indicative Impact Metrics
A. Transportation	<ul style="list-style-type: none"> • Number of electric/fuel cell/hybrid vehicles financed • Passengers served by transit • Information on transit projects (i.e. km of rail, number of buses) • Air quality improvements
B. Waste Management	<ul style="list-style-type: none"> • Tonnes of recycled waste • Tonnes of waste diverted from landfill
C. Renewable Energy	<ul style="list-style-type: none"> • Energy generated per year (MWh) • GHG Emissions reduced/avoided per year (tCO₂e)
D. Water resources	<ul style="list-style-type: none"> • Volume of water treated (m³) • Description of flood control works installed • Volume of water diverted (m³) / floods avoided data (frequency and capacity)
E. Forestry	<ul style="list-style-type: none"> • Areas covered/protected or covered by sustainable agricultural land management practices (Hectares (HA)) • GHG Emissions reduced/avoided per year (tCO₂e) • Number of new trees planted per HA
F. Energy Efficiency	<ul style="list-style-type: none"> • Energy saved per year (MWh) • GHG emissions avoided per year, reported in tonnes CO₂-equivalent (tCO₂e)
G. Green Building	<ul style="list-style-type: none"> • List of third party green or environmental certifications received
H. Green technology / manufacturing	<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)
I. Aquaculture	<ul style="list-style-type: none"> • Increase in tonnes of sustainable seafood production

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