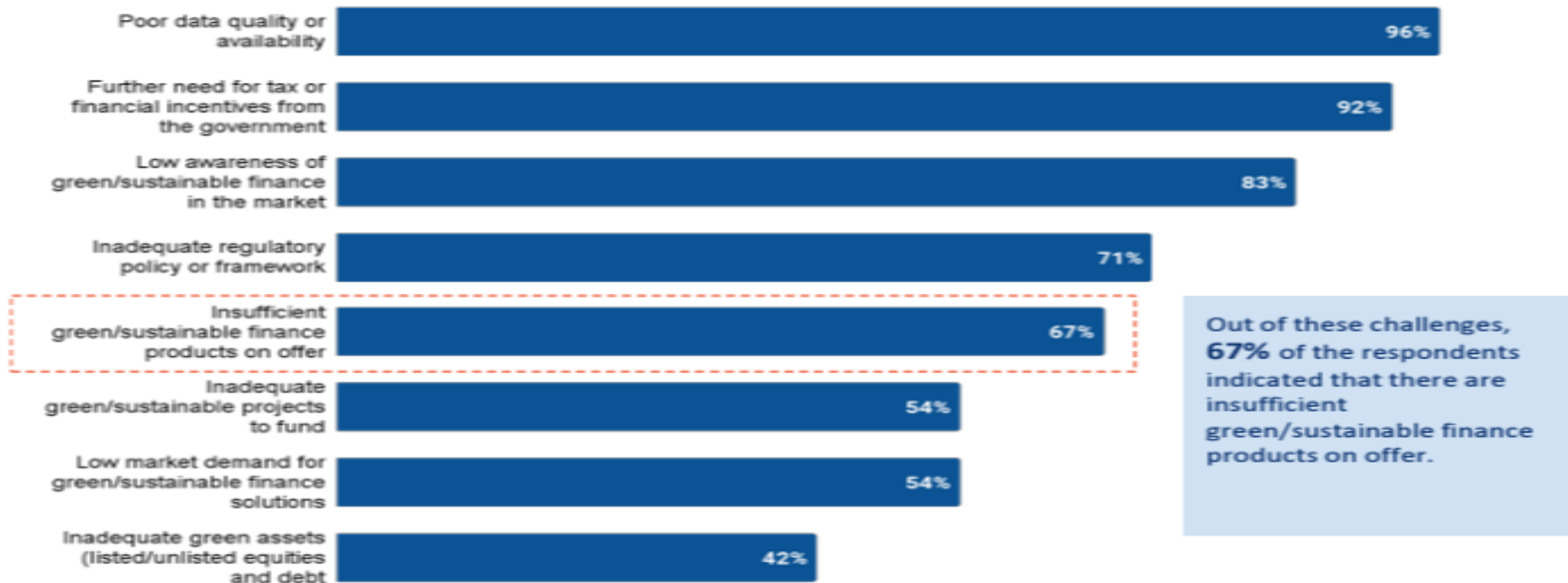


A. Sustainable finance landscape in Malaysia

1. Challenges in Sustainable Finance in MY

Survey respondents cited poor data quality or availability, inadequate financial incentives and low awareness of green finance in the market as some of the top challenges faced in their efforts towards a sustainable finance market.



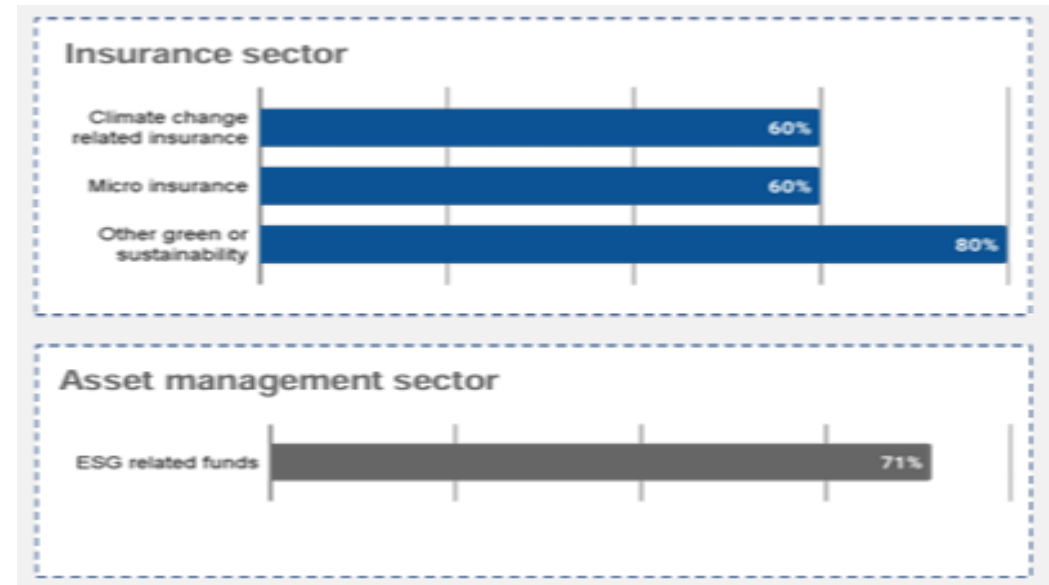
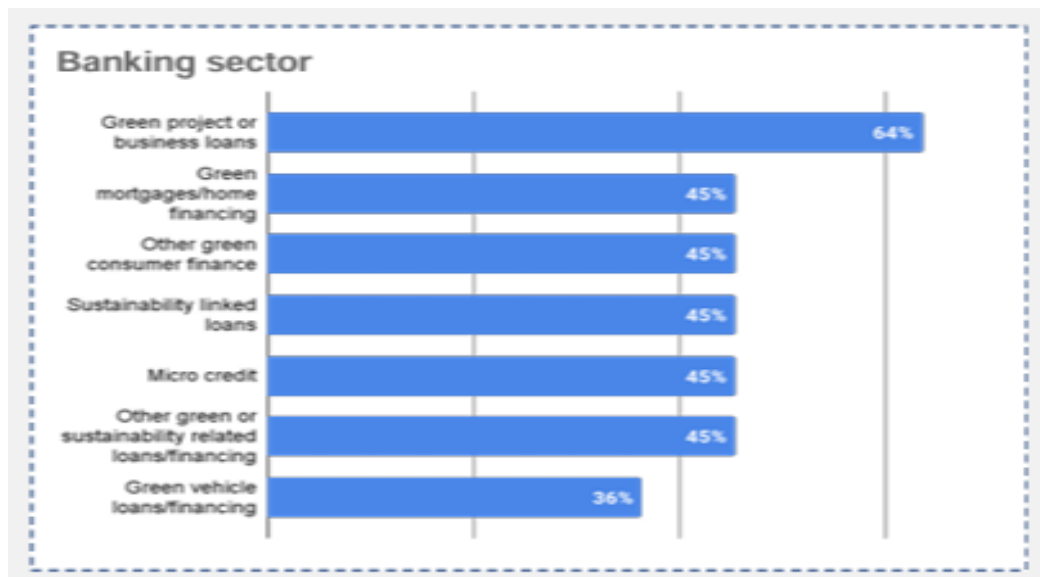
Survey respondents: 24 financial institutions (11 Banks, 5 Insurance companies, 7 Asset management firms and 1 others)

Source: JC3 Report on Sustainable Finance Landscape in Malaysia 2022

2. Expanding Green Finance

Survey results indicate a growing trend of green products in Malaysia:

- 91% of the banking sector have at least one or more green product / service offering. Green financing is among the most commonly offered products.
- 80% of insurance companies have some form of sustainability based insurance products while
- 71% of asset managers offer ESG related funds.



Survey respondents: 24 financial institutions (11 Banks, 5 Insurance companies, 7 Asset management firms and 1 others)

Source: JC3 Report on Sustainable Finance Landscape in Malaysia 2022

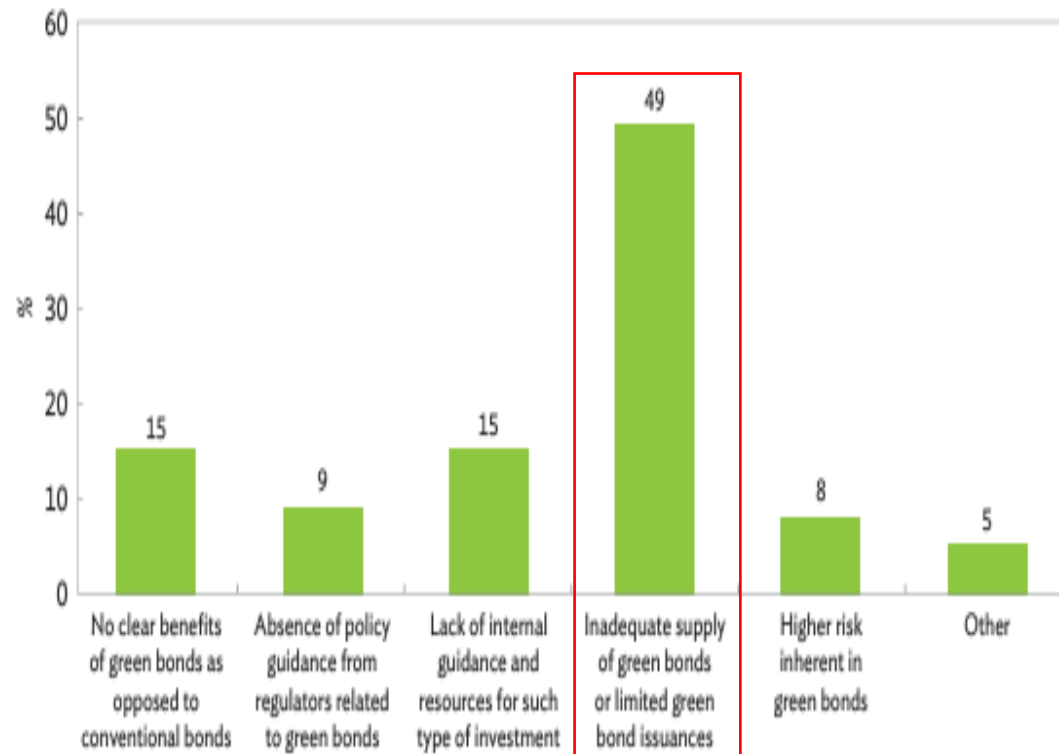
3. Green Bonds Statistics in MY

0.5% of total bonds and Sukuk are Green, while Green bonds make up to 17.4% of total sustainability/ ESG issuance

Year	Total Bonds & Sukuk Outstanding (USD billion)	Total Sustainability Bonds & Sukuk Outstanding (USD billion)	% Sustainability over Total Bonds & Sukuk	Total Green Bonds & Sukuk Outstanding (USD billion)	% Green over Total Bonds & Sukuk	% Green over Total Sustainability
2019	363.09	2.39	0.7%	1.37	0.38%	57.5%
2020	399.09	2.80	0.7%	1.50	0.37%	53.4%
2021	416.71	6.17	1.5%	1.83	0.44%	29.7%
2022	423.91	10.22	2.4%	1.94	0.46%	19.0%
Sep-23	422.24	11.53	2.7%	2.01	0.48%	17.4%

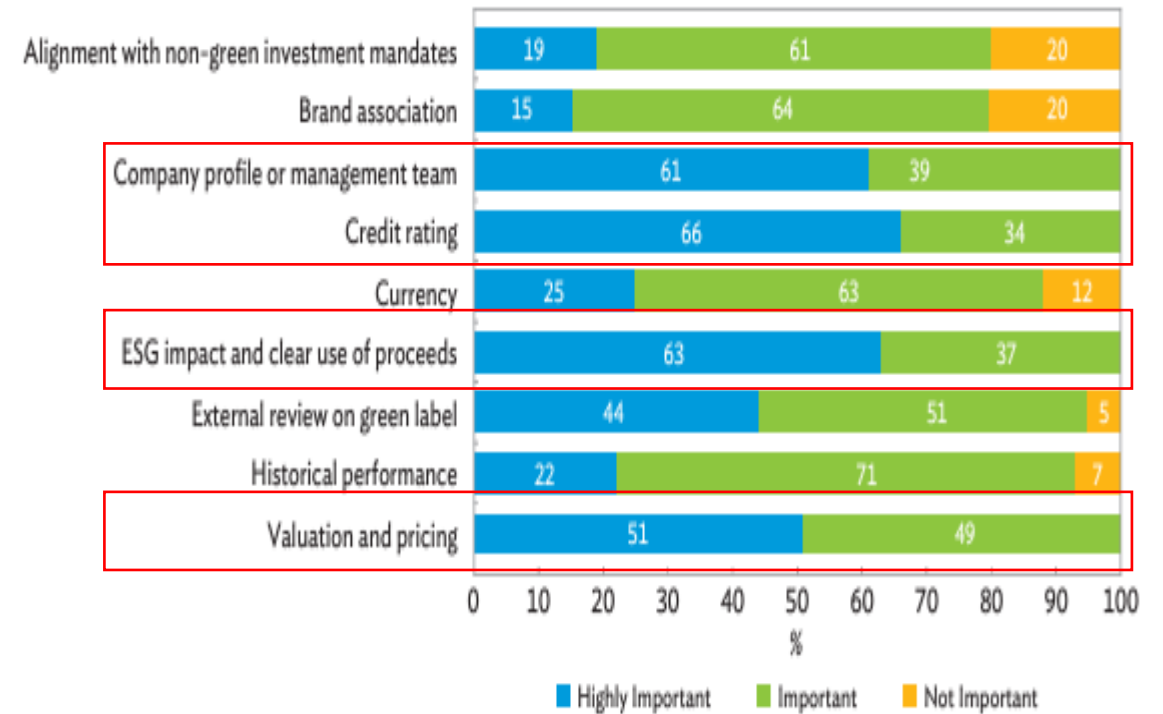
4. Challenges in Green Bonds in MY

Figure 11: Main Obstacles Preventing Investors from Investing in Green Bonds



Source: Authors' compilation based on survey results.

Figure 12: Key Considerations for Investing in Green Bonds



ESG = environmental, social, and governance.

Source: Authors' compilation based on survey results.

B. Landscape of Green Home Financing in Malaysia

1. What is Green Home Financing?

- A green mortgage or green home financing is when a bank or mortgage lender offers a house buyer preferential terms if they can demonstrate that the property for which they are borrowing meets certain environmental standards.
- This could perhaps be a new build home with an existing sustainability rating, or where the borrower will commit to invest in renovating an existing building to improve its environmental performance. In other words, a green mortgage is a mortgage specifically targeted at green buildings.

2. Examples of Green Buildings Accreditation Bodies

Accreditation Bodies		Statistics
Green Building Index (GBI) (PAM & ACEM)	The GBI, is Malaysia's industry recognised green rating tool for buildings to promote sustainability in the built environment and raise awareness among Developers, Architects, Engineers, Planners, Designers, Contractors and the Public about environmental issues and our responsibility to the future generations.	644 residential projects in 2022
GreenRE Rating (REHDAO)	GreenRE were formed in 2013 to promote sustainability in the Malaysia property sector. We do this in 3 main ways, green building certification & rating, green building training & awareness programs, research & development.	188 residential projects in 2022
LEED Rating (USGBC - US)	Leadership in Energy and Environmental Design, a rating system set up by the U.S. Green Building Council (USGBC) to assess the environmental credentials of a building, and validate sustainable building strategies and practices used in the design, construction and operation of said building.	n/a
MYCREST Rating (Government)	Malaysian Carbon Reduction and Environmental Sustainability Tool, aims to guide, assist, quantify, hence reduce, the built environment's impact in terms of reduced carbon emissions and environmental impact, while taking into account a more holistic life cycle view of the built environment. It also aims to integrate socio-economic considerations relating to the built environment and urban developme	n/a
GreenPASS (SEDA)	VOLUNTARY SUSTAINABLE ENERGY LOW CARBON BUILDING ASSESSMENT (UNDER THE LOW CARBON BUILDING FACILITATION PROGRAM)	n/a

3. Green Housing Loan Statistics

Less than 1% of total housing loans and financing are Green

RM billion	Total Loan/ Financing	Housing Loans/ Purchase of Residential Property	% of Housing to Total Loans/ Financing	Green Housing Loans/ Financing ^	% of Green
10M2023	2,092.82	781.29	37%		
2022	2,024.58	736.92	36%	1.687	0.23%
2021	1,915.43	689.22	36%		
2020	1,831.16	647.88	35%		
2019	1,771.59	604.85	34%		
2018	1,705.75	562.67	33%		

Source: BNM Monthly Statistics Bulletin, Banks' Sustainability Report

4. Examples of Green Home Financing Products provided by Malaysian FIs

Bank	Green Home Products	Product/ Campaign Name	Benefits
Maybank	Green Home Financing	Go Green with #MaybankHomeFinancing	Energy efficiency, including the financing of Green indexed property units and Green mortgages. Prizes with the option to install solar panel at great savings and benefits
	Solar Panel Financing	HomeScope by PETRONAS	Provide financing to purchase and install solar panels
	Green Home/ Renovation Loan	SG only	Preferential pricing of 0.05% of the prevailing package interest rates for the first two years
CIMB	Sustainable Living Home Solutions	Green Home Financing	- Provides preferential rates on green mortgages in Malaysia and Indonesia, encouraging potential homebuyers to consider green homes that meet sustainability standards such as Green Building Index, GreenRE, LEED, Building and Construction Authority Green Mark, and Greenship Standard. - Eligible residential projects available for financing in Malaysia include Utropolis Batu Kawan, Eco Ardence, Almas @ Puteri Harbour, and many more completed and under-construction projects.
		Solar Panel Financing	CIMB Malaysia offers 0% interest instalment plans for up to 60 months, coupled with CIMB Deals partner discounts with 15 solar panel partners.
		Energy-efficient Appliances	Enticing deals on electrical appliances with energy performance of 4 stars and above. CIMB 0% Easy Pay available & curated offers just for selected merchants.
Various/ Developer End Financing		OCBC – IJM	- Partnership to offer a Green Home Financing scheme that includes competitive financing rates, a quick turnaround upon approval, and a cashback programme to encourage green homeownership among homebuyers. - To encourage and enable prospective homebuyers to purchase developers' green-certified development.
		Alliance – IJM	
		Alliance - Sunway	
		Public-Gamuda	
		AmBank- Sime Darby	

Source: Bank's website

5. Challenges in scaling-up green homes

- 1. Cost consideration** - Green or energy efficient homes are said to be more expensive (3% to 5% more) than normal homes due to its requirement to use more sustainable materials, expensive equipment such as solar panel and higher-rated appliances and additional cost to maintain green building certification. As such, developers need to overcome rising cost challenges and additional ESG compliance cost for the alignment across the value chain. (Source: GBI Report)
- 2. Low supply of green accredited homes** - In 2022, there were 644 projects certified under the Green Building Index (GBI) and 188 projects certified under GreenRE in Malaysia (GBI and REHDA report). Comparison total housing project
- 3. Lack of a common definition for green homes** - Each green building accreditation body has its methodologies for defining "green" and scoring criteria for ratings. It is difficult to align these green certifications, especially when the relevant data such as energy savings are not publicly available.
- 4. Incentives by the Government** – There are incentives available in the industry such as the Green Technology Financing Scheme 2.0 (GTFS) aims toward the SME sector and various tax incentives (Green Investment Tax Allowance, Green Income Tax Exemption), however more incentives are needed particularly to encourage homeowners to convert their homes to be green certified.
- 5. Lack of public understanding, education and awareness on the benefit** - Social needs vary and evolve over time (i.e., economies increase or decrease poverty, availability of clean water, sanitation, affordable housing) therefore climate-risk consideration may not take priority for everyone.

C. Key initiatives and incentives to drive sustainability in Malaysia

1. Madani Economy

Malaysia's Economic Vision



Revitalise the industrial sector to be more competitive

- *Generate economic activities with higher value add and economic complexity*



Create quality and higher paying jobs

- *Reduce reliance on low-skilled foreign labour*



Position ourselves as a globally competitive investment destination

- *Strengthen investment promotion and incentives*



Promote a climate resilient and greener economy

- *Accelerate energy transition*



Ensure a sustainable fiscal position

- *Strengthen the fiscal position and ensure resilience and long-term sustainability of public finances*

Key Initiatives



New Industrial Master Plan

- *Advance economic complexity, digitalisation and sustainability*
- *Spur investments in technology and innovation*



National Energy Transition Roadmap

- *Increase renewable energy generation*
- *Promote new green growth areas*



Fiscal Responsibility Act

- *Improve the transparency, accountability and governance of public finance*
- *Act as an anchor to existing and future reforms*

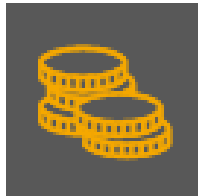
2. Regulatory Framework

	Ongoing Initiatives/ Incentives
BNM	<ul style="list-style-type: none">▪ Issuance of Climate Change and Principal-based Taxonomy (CCPT) in 2021 by BNM which provides a framework that facilitates robust and consistent assessments of economic activities and their associated impacts on climate mitigation, adaptation and the transition to low carbon and/or more sustainable practices.▪ Issuance of Policy Document on Climate Risk Management and Scenario Analysis (2 Dec 2022) which sets out principles and requirements on climate risk management and scenario analysis for financial institutions to enhance the financial sector's resilience against climate-related risks and to facilitate a just and orderly transition to a low-carbon economy.
SC	<ul style="list-style-type: none">▪ Issuance of the enhanced Sustainable and Responsible Investment-linked (SRI-linked) Sukuk Framework by SC on 30 June 2022 to facilitate companies to issue SRI-linked Sukuk to support their transition towards low-carbon activities.
BURSA	<ul style="list-style-type: none">▪ Launch of Malaysia's pioneer voluntary carbon market with the introduction of the Bursa Carbon Exchange (BCX) in Dec 2022. The BCX is the first Shariah-compliant carbon exchange in the world, diversifying the product universe for ESG and Shariah compliant products.▪ To enable companies to trade voluntary carbon credits from climate-friendly projects and solutions, with the aim to offset their emission footprint and meet climate goals
JC3	<ul style="list-style-type: none">▪ A collaboration among financial industry players and regulators towards building climate resilience within the industry and transition towards a low carbon economy.

3. Financing/ Tax Incentives

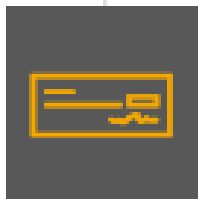
	Ongoing Initiatives/ Incentives	Latest in Budget 2024
<p>Environment – Initiatives to reduce carbon dioxide (CO2) or other GHG emissions including</p>	<ul style="list-style-type: none"> ▪ Low Carbon Transition Facility (LCTF) – RM2 billion fund by BNM to support small and medium-sized enterprises (SMEs) in reducing their carbon footprint ▪ Green Incentives - Green Investment Tax Allowance (GITA) for the purchase of green technology assets & Green Income Tax Exemption (GITE) on the use of green technology services and systems, ▪ Setting up of Bursa Malaysia’s Voluntary Carbon Market (VCM) platform to support trading of carbon credits to help manage organisations’ carbon footprint 	<ul style="list-style-type: none"> ▪ National Energy Transition Roadmap (NETR) - Allocation of RM2 billion as seed funding. ▪ Net Energy Metering (NEM) - will be extended until 31 December 2024 to encourage installations in residential premises. ▪ Green Technology tax incentives for GITA project, GITA asset and GITE solar leasing extended for two (2) years until 2026. ▪ VCM - Additional tax deduction of up to RM300,000 will be given for expenditure related to the development of carbon projects.
<p>Social – Contributions to promote trust, welfare and equality in society, product safety and data privacy and security.</p>	<ul style="list-style-type: none"> ▪ Funding/matching grants (e.g. RM1.1 billion fund for training/upskilling, RM6.6 billion to implement various Technical and Vocational Education and Training initiatives) ▪ RM7,000 tax relief for professional courses including ESG related programmes 	
<p>Governance – Focuses on quality and scope of reporting and accountability including tax transparency.</p>	<ul style="list-style-type: none"> ▪ Management of fiscal affairs by the authorities (proposed Fiscal Responsibility Act, Tax expenditure statement) ▪ Tax compliance certificates 	<ul style="list-style-type: none"> ▪ Tax deduction of up to RM50,000 for each YA will be given on ESG related expenditure until 2027.

3. Financing/ Tax Incentives



Extension of Tax Exemption on Management Fee Income for Sustainable and Responsible Investment (SRI) Funds

The income tax exemption on management fee income for managing SRI funds will be extended for a period of four (4) years from YA 2024 to YA 2027.

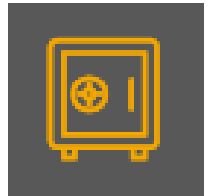


Expansion of Scope of Income Tax Exemption on the SRI Sukuk Grant and Bond Grand Scheme

The scope of income tax exemption under the SRI Sukuk Grant and Bond Grand Scheme will be expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards (ASEAN SLBS) approved by Securities Commission Malaysia (SC). This applies to applications received by SC from 1 January 2024 to 31 December 2025.

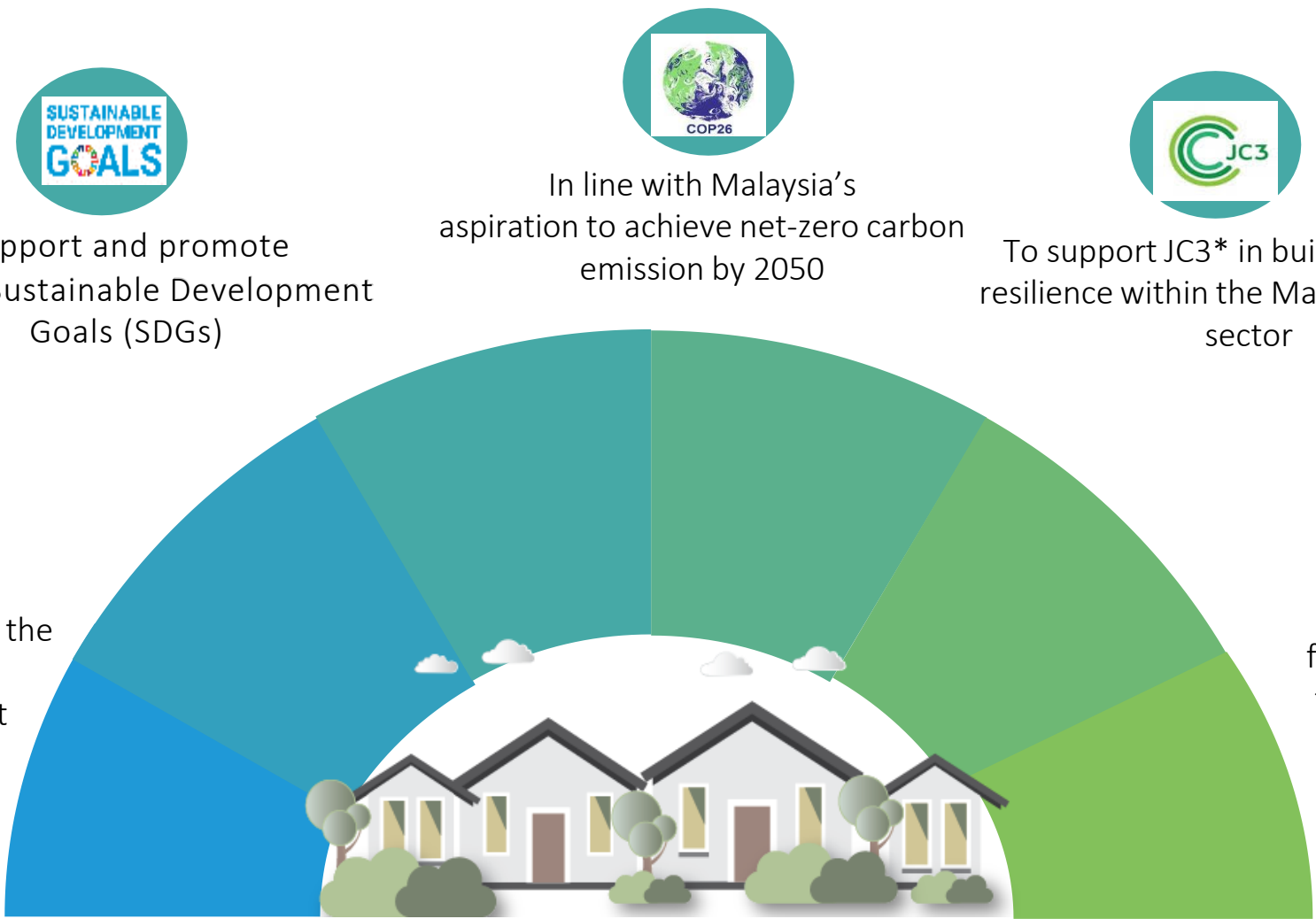
Extension of Tax Deduction on Issuance of SRI Sukuk

The tax deduction on issuance cost of SRI (Sustainable and Responsible Investment) Sukuk approved, authorised or lodged with the SC will be extended for a period of four (4) years from YA 2024 to YA 2027.



D. CAGAMAS Sustainability Journey

Why Cagamas Embark on Sustainability Journey?



Support and promote the 17 Sustainable Development Goals (SDGs)



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



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



Reaffirming and deepening the Company's mission ~ sustainable development



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

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

CAGAMAS SUSTAINABILITY GOVERNANCE

1. Sustainability Governance at Cagamas

The Board of Directors of both Cagamas Holdings Berhad and Cagamas Berhad (“the Board”) provide oversight on the progress of the Group’s sustainability journey and execution, develop and instill practical sustainability governance practices whilst meeting corporate objectives. The management is responsible for the formulation and implementation of strategies and policies including sustainability.

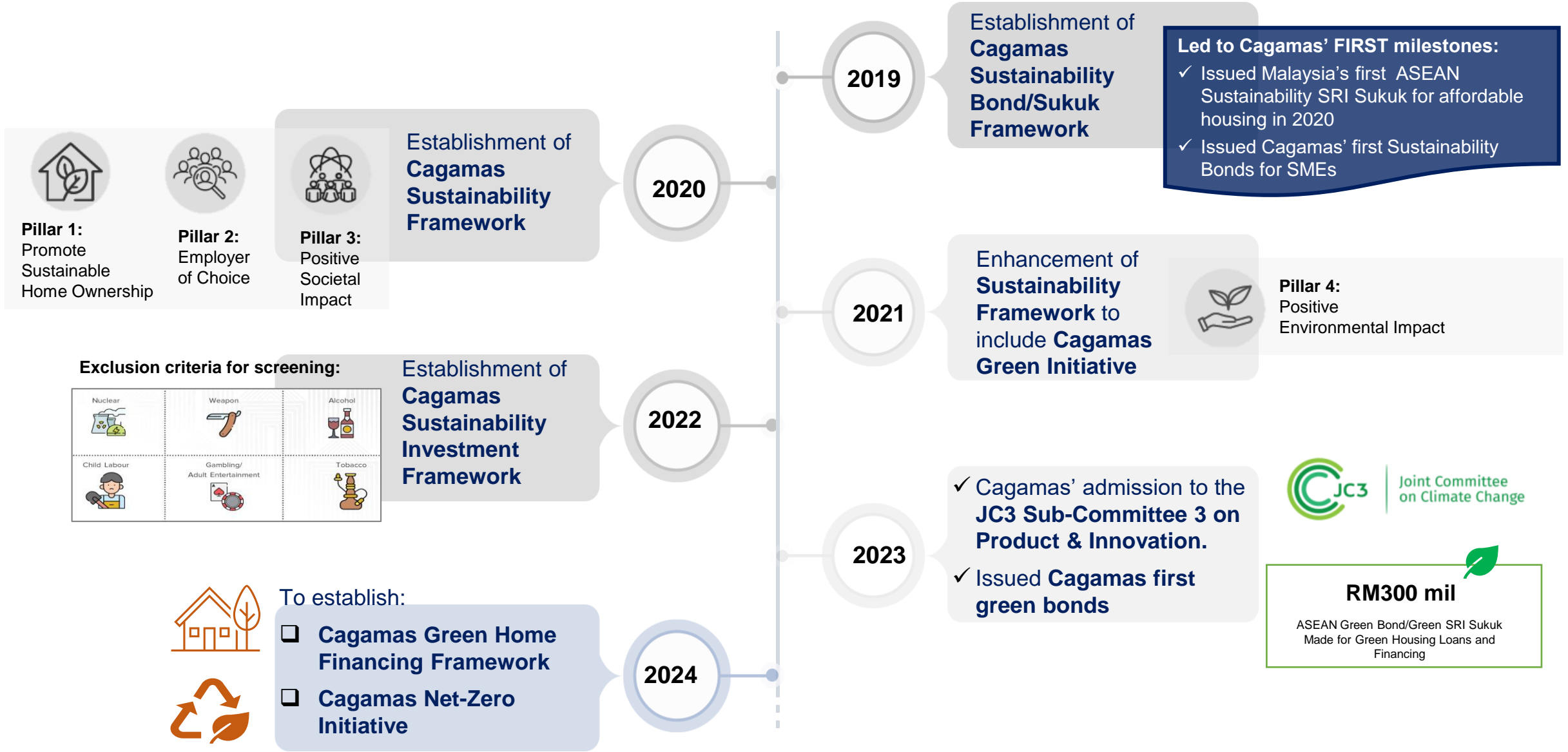
2. Sustainability Strategy at Cagamas

Cagamas aims to facilitate homeowners and counterparties to manage the challenge of climate change as well as reducing impact from its own operations. Underpinning its strategy are its focus in the following areas:

- Make energy-efficient homes more mainstream by scaling-up green residential mortgages.
- Support financial industry’s transition to low-carbon economy through sustainable and green liquidity products and solutions.
- Integrate Sustainability values across internal operations from business, risk management, operations and build relevant people capabilities.

Our sustainability approach and mandate to promote homeownership is in line with our goal to **achieve 10% of green assets by 2030** and to support the government's commitment towards achieving net-zero nation by 2050.

CAGAMAS SUSTAINABILITY JOURNEY



Cagamas Sustainability Bond/Sukuk Framework

Aligned with local and international principles, standards and guidelines



International Capital Market Association

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



Asean Capital Markets Forum

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



Securities Commission Malaysia

- Sustainable and Responsible Investment Sukuk framework

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



Renewable energy



Energy efficiency



Green Buildings



Low carbon transportation



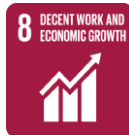
Affordable housing



Sustainable water and wastewater management



Employment generation

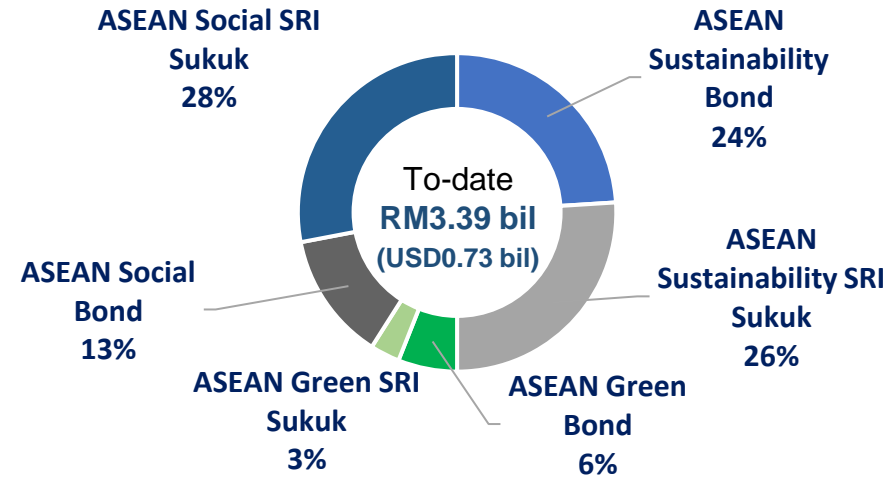


Supporting UN's SDG Goals

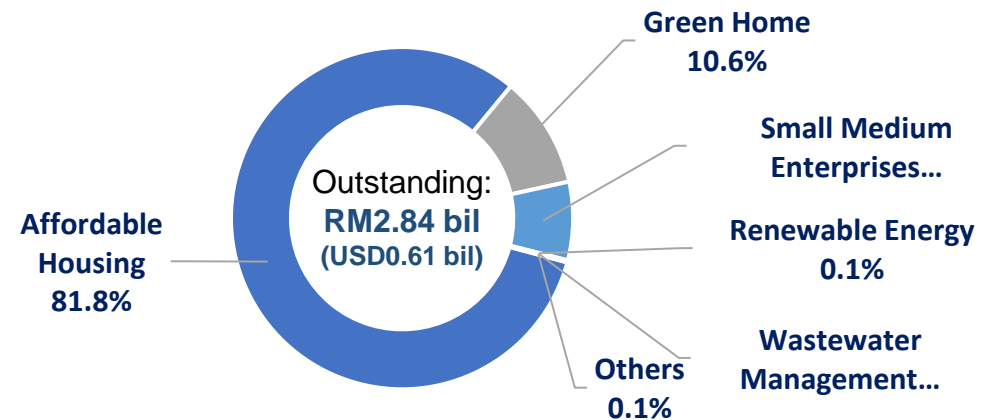
Cagamas Sustainability Bond/Sukuk Issuances



To-date, Cagamas has issued **RM3.39 billion (USD0.73 billion)** of Sustainability Bond and Sukuk in total which comprises of:



82% of the proceeds from the issuances were used for the purchase of loans/financing related to **Affordable Housing**:



Note: Exchange rate: USD1 = RM4.65