



# **HONG LEONG BANK GREEN BOND FRAMEWORK**

April 2022

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# Green Bond Framework

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## 1. Introduction

The Green Bond Framework (“**Framework**”) sets out the guidelines for Hong Leong Bank Berhad’s (“**HLBB**”) 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 HLBB’s Green Bond issuances (“**Proceeds**”) will be used to finance or refinance new or existing green assets/projects which meet the Eligibility Criteria outlined below. Where relevant, the Proceeds may also be used to finance companies that derive 80% or more of their revenues from green assets/projects which meet the Eligibility Criteria.

### Eligibility Criteria

#### A. RENEWABLE ENERGY (“**RE**”)

- (i) Generation of energy using renewable resources/technologies including but not limited to biogas, biomass (including waste-to energy), hydropower (up to 30 MW), solar PV, geothermal and wind.
- (ii) Services related to the development, operation and maintenance of renewable energy projects.
- (iii) Manufacturing, assembling or production of components, equipment, and machinery for the renewable energy industry.
- (iv) Procurement of solar energy solutions or products by consumers.

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## B. ENERGY EFFICIENCY (“EE”)

- (i) Energy efficient technologies or equipment including replacing and refurbishing inefficient equipment as well as investing in energy saving equipment/technology either for their own business or through Energy Performance Contracting (“EPC”) with the objectives of reducing energy consumption of underlying asset(s), technology, system(s) or product(s) including for data centres.
- (ii) Services related to energy efficiency such as advisory and consultancy, feasibility studies, energy audits, energy management, measurement and verification, testing & commissioning, operations & maintenance as well as in the delivery of bulk energy services such as smart grids, district cooling, battery storage systems, energy recovery, transmission and distribution systems aimed at reducing energy losses.
- (iii) Manufacturing or assembling of equipment, machinery, products, software or related products that contribute to energy saving.
- (iv) Procurement of energy efficient products or services by consumers.

\*Energy efficiency projects will be limited to projects which achieves a minimum of 30 per cent improvement in energy performance.

## C. GREEN BUILDING (“GB”)

- (i) Construction, renovation, refurbishment or purchase of buildings awarded green building certificates from locally developed rating tools or by a certification body approved by the Government or any other recognized international standards.
- (ii) Services related to green building design and consultancy, audits, testing and commissioning of green building equipment, system and services.
- (iii) Purchase of green properties by consumers.

\*Green properties will be limited to certification rating of Gold and above.

## D. WASTE MANAGEMENT (“WM”)

- (i) Construction or upgrading as well as refurbishment of waste processing facilities which may consist of recovery facilities, waste treatment and any additional activities related to waste management such as composting, sorting, storing, collecting, disposing and anything else related to the 3 Rs – reducing, reusing, recycling.

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## E. SUSTAINABLE TRANSPORTATION (“ST”)

### Electric or hybrid vehicles

- (i) Production or assembly of clean / environmentally friendly vehicles such as electric and hybrid vehicles.
- (ii) Purchase of clean/environmentally friendly vehicles by consumers.

\* Hybrid vehicles are limited to tailpipe CO<sub>2</sub> emissions of less than 75g per km per passenger.

For RE, EE, GB, WM and ST, the Proceeds may also be used to fund HLBB’s own initiatives within its operations.

## 3. Project Evaluation and Selection Process

### Sustainability Objectives

HLBB strategises sustainability to be driven by five pillars: 1) Socially Responsible Business; 2) Workforce Readiness; 3) Environmental Management; 4) Community Investment and 5) Digital at the Core. Within these pillars, we have mapped out the initiatives that contribute impact to 10 out of the 17 Sustainable Development Goals (“SDGs”).

The ten SDGs are:

- SDG 1: No Poverty
- SDG 4: Quality Education
- SDG 7: Affordable and Clean Energy
- SDG 8: Decent Work and Economic Growth
- SDG 9: Industry, Innovation & Infrastructure
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action
- SDG 14: Life Below Water
- SDG 15: Life On Land
- SDG 16: Peace, Justice and Strong Institutions

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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 focuses on our "Socially Responsible Business" and "Environmental Management" pillars where their initiatives' guiding principle is to achieve the same goals as stated in SDGs 7, 9, 12, and 13.

## Application of Eligibility Criteria in Project Selection

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

HLBB's Sustainability Committee is responsible for the review and approval of the assets/projects proposed by the relevant business units to ensure compliance with the Framework.

## 4. Management of Proceeds

The Proceeds from the HLBB Green Bond issuances will be allocated to a portfolio of Eligible Assets/Projects ("**Green Portfolio**"), selected as per the evaluation and approval process set out above. HLBB shall strive to achieve a level of allocation for the Green Portfolio that matches or exceeds 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 the incremental net Proceeds. HLBB will monitor the allocation of the Proceeds and the Green Portfolio through its internal information systems.

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

Where the aggregate amount in the Green Portfolio is less than the total outstanding amount of HLBB Green Bonds issued, HLBB may hold the balance 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.

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# Green Bond Framework

## 5. Reporting

### Allocation Reporting

As long as there are outstanding HLBB 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 criterion, together with a description of the types of projects or 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, case studies or examples of financed projects or businesses, subject to considerations such as confidentiality agreements and competition issues.

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

### 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 examples provided in the table below:

Eligibility Criteria	Indicative Impact Metrics
A. Renewable Energy	<ul style="list-style-type: none"> <li>• Energy generated per year (MWh)</li> <li>• GHG emissions avoided per year, reported in tonnes CO<sub>2</sub>-equivalent (tCO<sub>2</sub>e)</li> </ul>
B. Energy Efficiency	<ul style="list-style-type: none"> <li>• Energy saved per year (MWh)</li> <li>• GHG emissions reduced / avoided per year (tCO<sub>2</sub>e)</li> </ul>
C. Green Building	<ul style="list-style-type: none"> <li>• Building assets by type and green building certification level</li> <li>• Energy savings per year (MWh)</li> <li>• GHG emissions avoided per year (tCO<sub>2</sub>e)</li> </ul>
D. Waste Management	<ul style="list-style-type: none"> <li>• Tonnes of recycled waste</li> <li>• Tonnes of waste diverted from landfill</li> </ul>
E. Sustainable Transportation	<ul style="list-style-type: none"> <li>• Number of electric/fuel cell/hybrid vehicles financed</li> <li>• GHG emissions avoided per year (tCO<sub>2</sub>e)</li> </ul>

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