



SUSTAINABILITY REPORT

PART 1: CORPORATE SUSTAINABILITY REPORTING

CONTRIBUTING TO THE SUSTAINABLE DEVELOPMENT GOALS

This document outlines the ongoing commitment of Cagamas Holdings Berhad (“the Company”) and its subsidiaries (“the Group”) to conduct its business in an ethical and responsible manner. This report highlights the Group’s sustainability methodology, key initiatives implemented and achievements in 2020.

Cagamas’ Approach in Sustainability

In 2015, the United Nation’s Sustainable Development Goals (“UNSDG”) were established as a framework for global action on sustainability. Cagamas Berhad (“Cagamas”) has identified 3 sustainable development goals, as outlined in Cagamas Sustainability Framework and aligned with UNSDG that are of critical importance to Cagamas. These 3 sustainable development goals are directly related to the ability of the Group to support improved economic well-being of our stakeholders which is consequently aligned with our mandate to promote home ownership and contribute to nation development. The identified goals are as follows:



Sustainability Governance

The Board of Directors (“the Board”) of Cagamas Holdings Berhad is fully committed to ensuring that the Group maintains the highest standards to corporate governance.

Through the establishment of the Sustainability Governance Structure, the Board will work with the board of the subsidiary company and management to provide formal oversight of the Group’s corporate sustainability strategy.

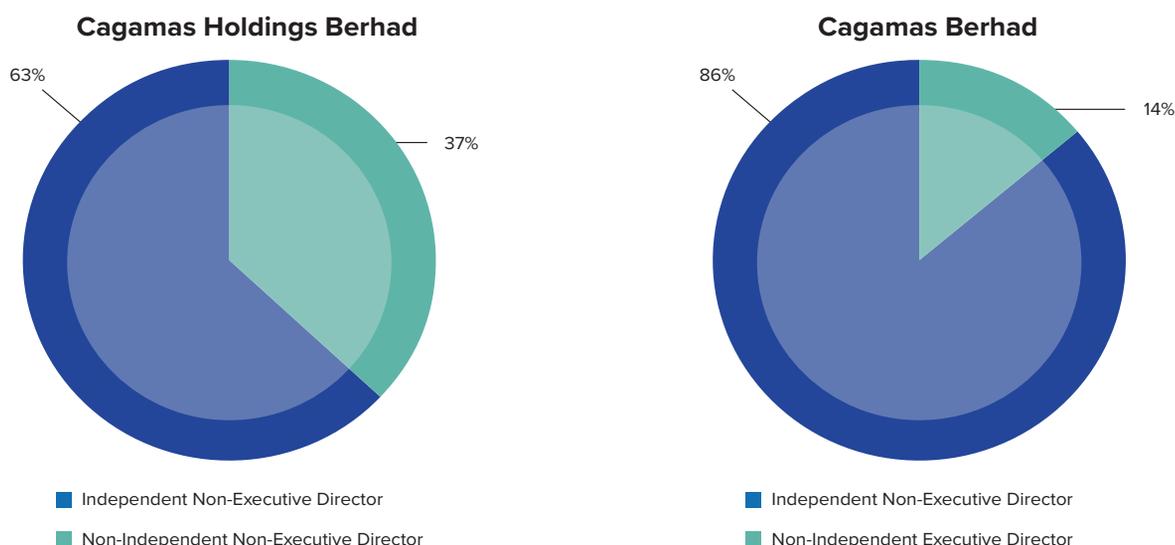




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The Group practises high standards of corporate governance so that the Group's affairs are conducted with integrity and professionalism. Based on the criteria in Bank Negara Malaysia's Corporate Governance 2016 policy document, a majority of the Company's Directors are considered independent which would allow objective and independent views for the Board's deliberations

The Company and Cagamas have an Independent Non-executive Chairman and a majority of Independent Directors as illustrated below:



Sustainability Goals

In line with our mission to raise awareness in the community about the importance of sustainable development, outlined below are the 3 material sustainability pillars identified by Cagamas:

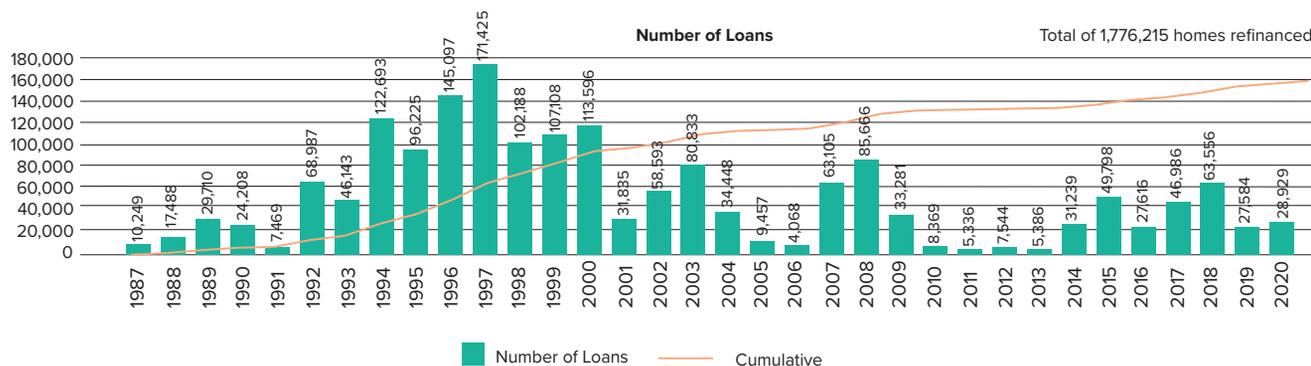
PILLAR 1: PROMOTING SUSTAINABLE HOME OWNERSHIP

We are committed to facilitating sustainable home ownership for all Malaysians as outlined below:

• **Cumulative number of homes refinanced**

By providing liquidity to the primary lenders, Cagamas intends to continuously promote sustainable home ownership amongst Malaysians.

Since its inception in 1986, Cagamas has purchased home financing in the secondary market totalling RM141.8 billion, equivalent to 1.8 million homes.





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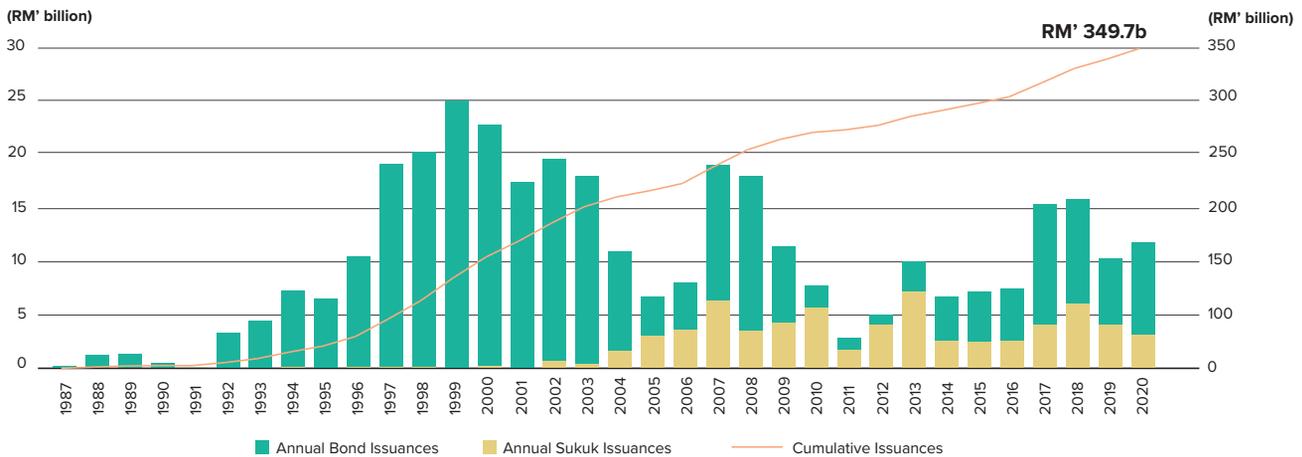
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• **Issuance of highly rated papers**

Cagamas issues bonds and sukuk to finance the purchase of mortgage and home financing from financial and non-financial institutions. The provision of liquidity at a reasonable cost to the primary lenders of mortgage and home financing encourages further financing for houses at an affordable cost. In addition, Cagamas MBS Berhad (i.e. Cagamas’ subsidiary company), issues Residential Mortgage Backed Securities (“RMBS”) and Islamic RMBS in the capital market.

Cagamas is the second largest issuer of debt instruments after the Government of Malaysia and the largest issuer of AAA corporate bonds and sukuk in the market. Cumulatively, Cagamas and Cagamas MBS Berhad have issued circa RM349.7 billion worth of corporate bonds and sukuk.

Cagamas’ Ringgit Malaysia corporate bonds and sukuk continue to be assigned the highest ratings of AAA/Stable/P1 by RAM Rating Services Berhad (“RAM Rating”) and AAA/MARC-1 and AAAIS/MARC-1IS by Malaysian Rating Corporation Berhad (“MARC”), denoting its strong credit quality. Our foreign currency bonds and sukuk are assigned an international rating of A3 by Moody’s Investors Service. The RMBS and Islamic RMBS are also rated AAA by both RAM Rating and MARC.



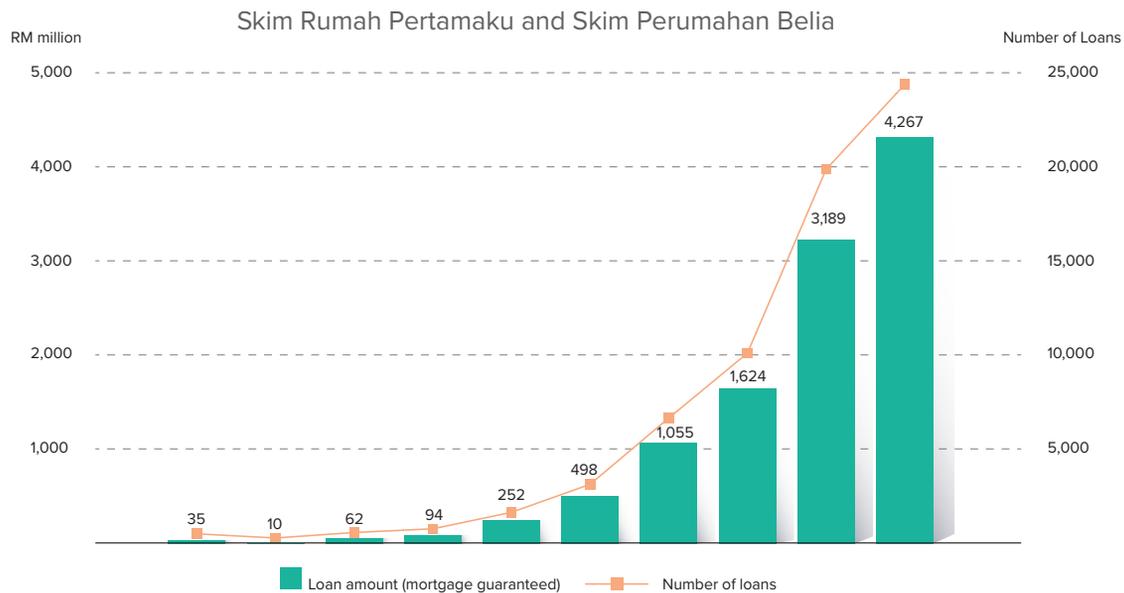


• **Contribution to the affordable housing sector**

It is part of Cagamas' effort to promote first time home ownership particularly in the affordable housing sector via Skim Rumah Pertamaku ("SRP") and Skim Perumahan Belia ("SPB")¹.

Since the launch of SRP and SPB in 2011 and 2015 respectively, Cagamas SRP Berhad (a subsidiary of Cagamas Holdings Berhad) has provided guarantees for housing loans and financing totalling RM11.1 billion enabling 52,203 individuals/ households to own their first house, of which 87% are from the B40 segment.

The significant increase in the number of applications in 2019 and 2020 reflects the greater awareness of the schemes as well as the growing demand for houses for first time house buyers despite the challenging environment especially in 2020.



PILLAR 2: EMPLOYER OF CHOICE

We believe in providing an inclusive and engaging work environment for our people to excel. Cagamas offers a holistic Employee Value Proposition across all employee groups, which supports business strategies and objectives. Beyond competitive remuneration, it also includes providing a conducive work environment and culture, career advancement as well as personal development opportunities.

During the unprecedented challenging environment in 2020, Cagamas being an essential service organisation in the financial sector continued to be in operations while ensuring staff safety and health by adopting a more flexible working arrangement, providing relevant health screening and supplies as well as implementing strict preventive measures.

Cagamas strongly believes in equal opportunity at work, embraces diversity and is against all forms of discrimination in its effort to recruit, develop and retain a workforce with a wide range of competencies and skill sets.

¹ Through two schemes namely the Skim Rumah Pertamaku ("My First Home Scheme") and Skim Perumahan Belia ("Youth Housing Scheme"), qualified house buyers can obtain up to 110% (for SRP) and 100% (for SPB) financing from participating banks, enabling them to own a home without making a down payment.

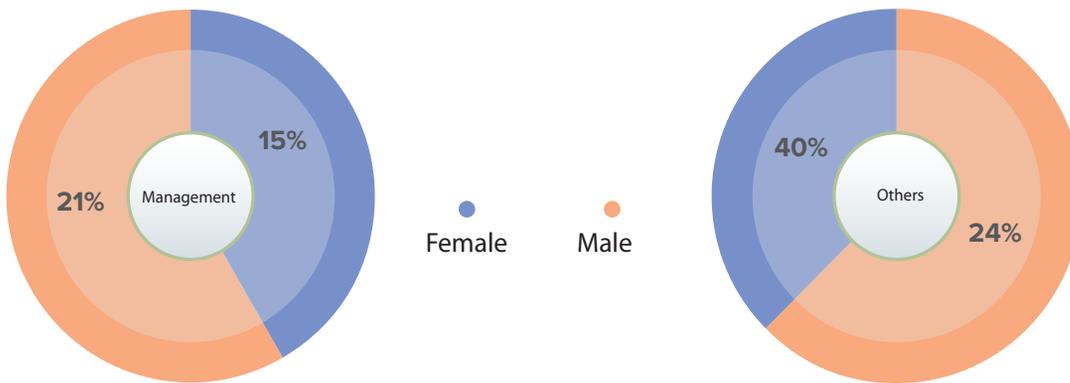


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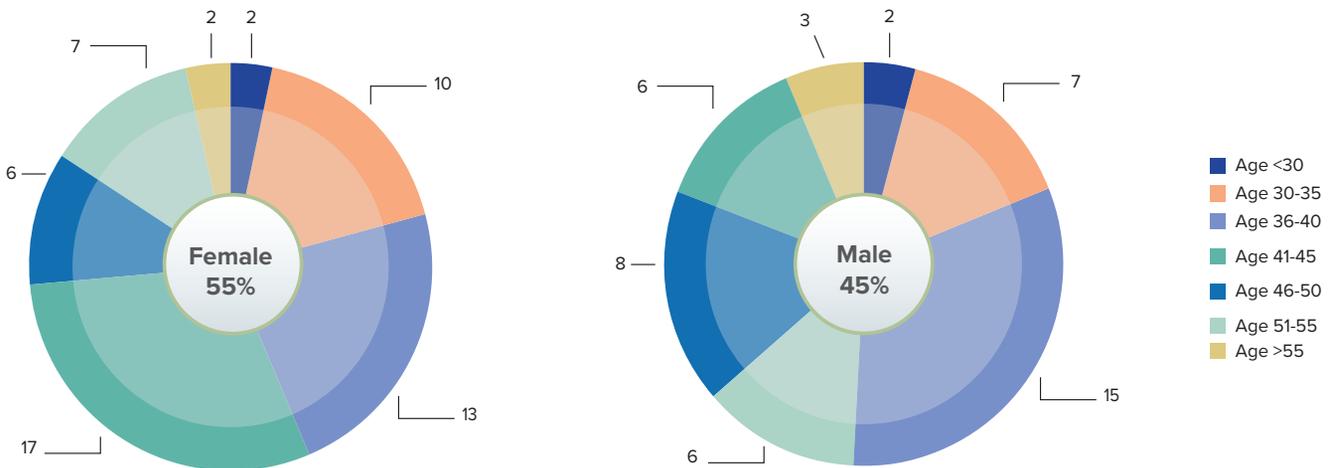
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As at 31 December 2020, the organisation comprised a total of 104 staff with a good mix of gender and age. In terms of gender mix, the overall distribution between male and female is 45% and 55% respectively, while overall staff below 40 years of age represented 47% of our workforce. Details are set out below:

(A) EMPLOYEE BY GENDER



(B) EMPLOYEE BY GENDER AND AGE



(C) LEARNING & DEVELOPMENT

Mandatory corporate learning target of 16 hours (equivalent to two full days of training) is practised company wide.





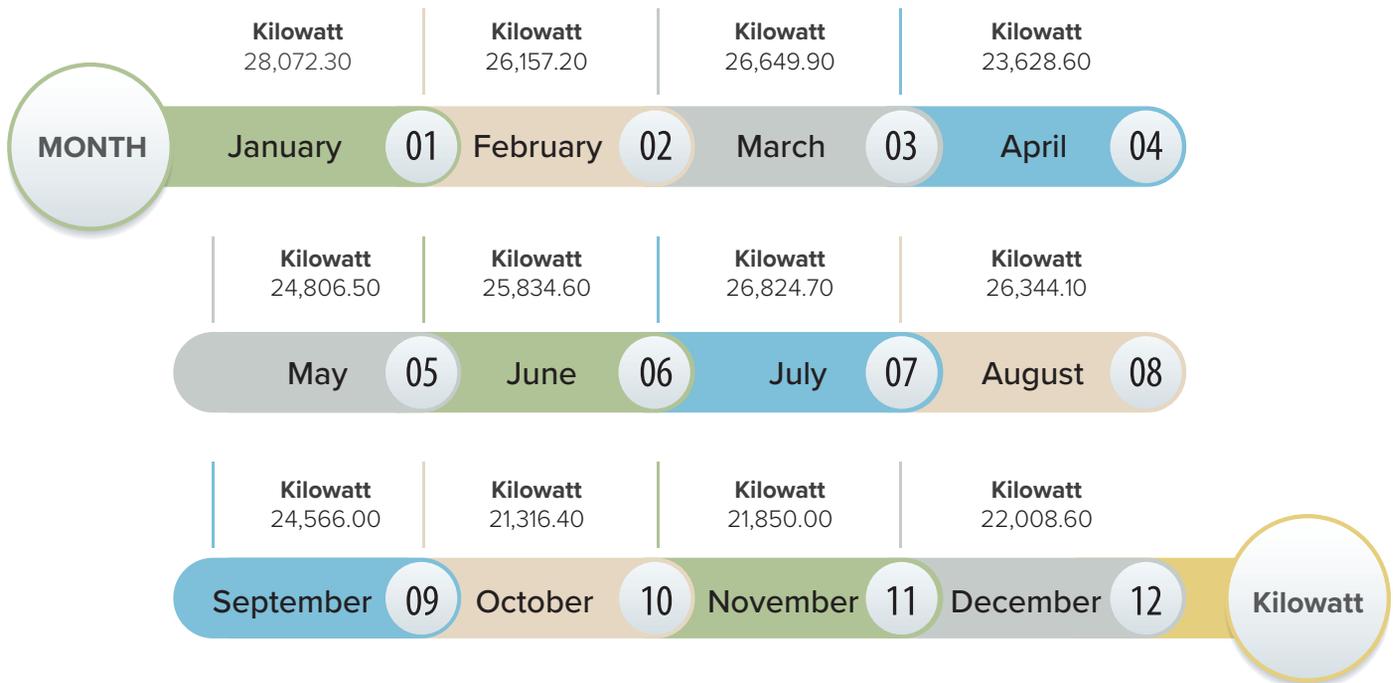
PILLAR 3: POSITIVE SOCIETAL IMPACT

We contribute towards a positive environmental impact through the following activities:

(A) REDUCE ELECTRICITY CONSUMPTION

Cagamas’ continuous effort to reduce electricity consumption in various ways, include (1) replacing downlight halogen bulbs with energy saving LED lights, (2) substituting multiple printers with energy efficient multi-function printers and (3) switching off office lights and computers during lunch time.

As a result, electricity consumption has been on a downward trend since early 2020², as evidenced by the monthly kilowatt usage below:



(B) PAPER CONSUMPTION

Cagamas continues to improve its waste management efforts by encouraging the use of digital media and devices to reduce paper usage as well as implementing a material usage management process to control usage of input materials such as papers. For example, Board and management discussion papers are provided electronically.

Our efforts to reduce paper usage is evidenced by the number of reams of paper used in 2020 totalling 555 reams as opposed to 900 reams in 2019.

² Implementation of the Movement Control Order during the same period may have also contributed to the reduced electricity consumption for 2020.



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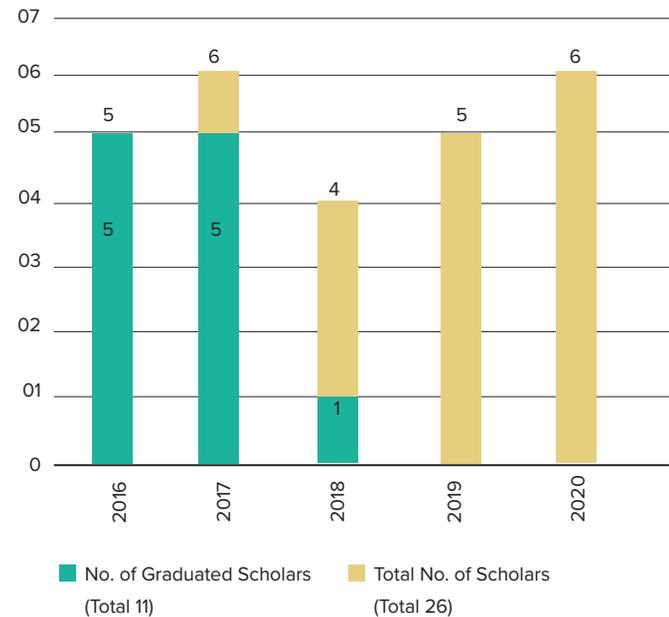
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(C) CAGAMAS SCHOLARSHIP PROGRAMME

To develop a future workforce for the nation, specifically in the financial services industry, Cagamas has established a scholarship programme (“CSP”) since 2016 to help students from low-income households in their pursuit of higher learning to ultimately elevate the livelihood of themselves and their families. The CSP, which is bond-free, funds selected undergraduate programmes in local universities, and covers tuition fees, living expenses, as well as learning aids e.g. books, stationery, laptop, printer.

Since 2016, Cagamas has expended RM658,978 on scholarships for 26 scholars to study various disciplines (e.g., Law, Economics, Actuarial Science, Statistics, Accounting, Information Technology) in local public universities.

We have helped produce 11 graduates since the inception of the programme, with all of them successfully securing employment in their respective fields of interest. A breakdown of Cagamas scholars is as follows:



(D) SOCIAL CONTRIBUTION AND DEVELOPMENTS

Cagamas believes that strong communities and strong businesses go together. We focus on helping build and strengthen our local communities and on responding in times of need. To practise good corporate citizenship, our Corporate Social Responsibility (“CSR”) approach leverages on grant giving, educational programmes and employee volunteerism. By combining the altruism and dedication of our staff with strategic investments in community-based partnerships, we have impacted the lives of more than 715 recipients with a total allocation of approximately RM329,959 in 2020.

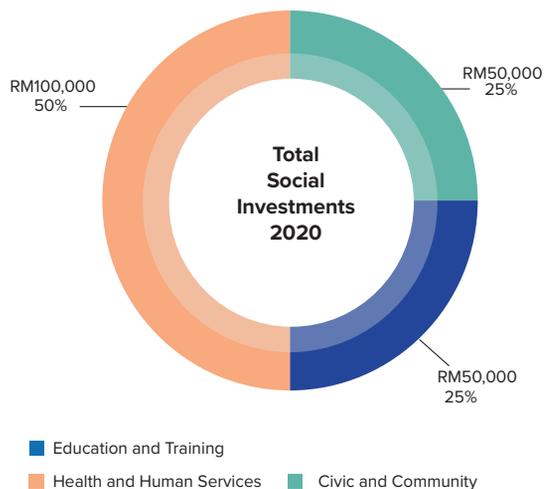
Cagamas CSR Programmes

Pillar	Impact
1. Education and Training Supporting equitable education for highest-need schools and communities.	
(i) Teach for Malaysia (“TFM”) Sponsored a fellow to teach in a high-need school with the intention to drive long-term systemic change.	Impacted 150 students in 2020 and overall, 600 students since 2017 at various rural schools across Malaysia.



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Pillar	Impact
2. Civic and Community By providing sustainable basic facilities for underprivileged communities.	
(i) Women of Will Provided grant to purchase farm equipment, provide training and coaching to empower B40 women to develop their homebased farms into business ventures.	Impacted 25 women from Sabah and overall, 150 family members at an average increased income of 10% per family.
(ii) Urban Hijau Guerrilla Planting Project An employee volunteer programme to create positive social impact by distributing edible plants to the low-income community members in Teluk Gadong, Klang.	Impacted 100 people (20 low-income families) who will be able to harvest food for own consumption from edible saplings and seedlings prepared by staff volunteers.
3. Health and Human Services Funding support for vulnerable groups through charitable and non-governmental welfare organisations:	
(i) MERCY Malaysia Wakaf COVID-19 fund Supporting the Government's effort to mitigate and curb the COVID-19 outbreak in Malaysia.	Contribution to the purchase of 20 ventilators to be used in Intensive Care Units at designated Government hospitals.



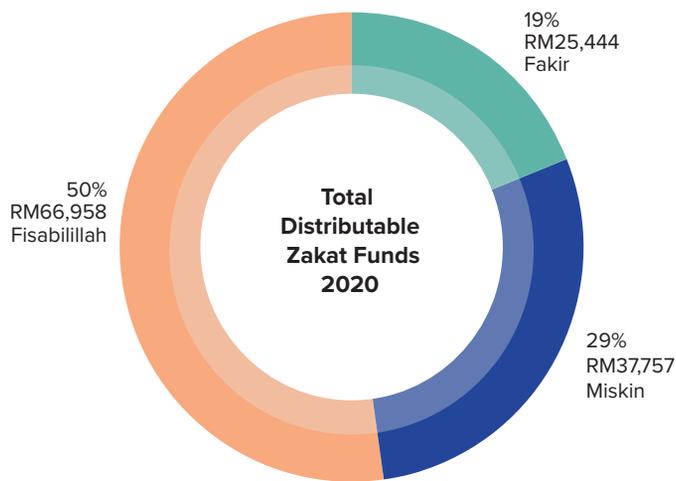


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Zakat Contributions

Cagamas continues to serve multiple communities through its business zakat contribution and has established a Zakat Wakalah Programme ("ZWP"). In 2020, the ZWP allocated zakat funds amounting to RM129,959 to eligible recipients including associations and charity homes throughout Malaysia according to the three asnaf categories of Fakir³, Miskin⁴, and Fisabilillah⁵.



Please refer to page 65 for the full write-up on CSR and Zakat Contributions.

PART 2: SUSTAINABILITY BOND/ SUKUK REPORTING

Cagamas recognises its responsibilities towards the environment and the nation as sustainable development through affordable housing has always been the Company's core priority. The publication of Cagamas Sustainability Bond/ Sukuk Framework ("the Framework") in 2019, which is aligned with international standards, reaffirmed Cagamas' mission to increasing awareness in the community about the importance of sustainable development.

³ A person who does not have any property or employment and is receiving income from any source which is not more than 50% of his/ her and dependants' daily needs and less than 50% of his/ her and dependants' living expenses.

⁴ A person who has employment or income which only meets part of his/ her basic needs but is not sufficient to support his/ her daily needs and dependants.

⁵ Any person or organisation which is involved in an activity or activities to uphold, preserve and preach the Islamic religion and its well-being.



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CAGAMAS SUSTAINABILITY FRAMEWORK

<p>Use of Proceeds</p>	<p>The proceeds of any Cagamas' sustainability bonds/ sukuk issuance Sustainability Bonds/ Sukuk will be used to purchase loans/ financing/ assets related to:</p>
	<ul style="list-style-type: none"> • Renewable Energy • Energy Efficiency • Green Buildings • Low Carbon and Low Emission Transportation • Sustainable Water and Wastewater Management • Affordable Housing • Employment Generation
<p>Process for Project Evaluation and Selection</p>	<ul style="list-style-type: none"> • A set of Eligible Criteria ("EC") will be given to Financial Institutions/ Non-Financial Institutions who are designated as the 'The Approved Seller'. • The Approved Seller will evaluate and provide the listing of Eligible Loans/ Financing/ Assets that complies with the EC. The Approved Seller is obliged to ensure that the loans/ financing/ assets sold meet Cagamas' EC at all times. • Recommendation will be made for approval of the Asset and Liability Committee to issue Sustainability Bonds/ Sukuk to purchase the identified Eligible Loans/ Financing/ Assets.
<p>Management of Proceeds</p>	<ul style="list-style-type: none"> • Proceeds of the Sustainability Bonds/ Sukuk will be fully utilised to purchase similar amount of Eligible Loans/ Financing/ Assets immediately at the point of issuance. • The portfolio of Eligible Loans/ Financing/ Assets purchased at inception will be maintained and monitored via the Company's internal loan administration system by Cagamas' Operations Department.
<p>Reporting</p>	<ul style="list-style-type: none"> • Cagamas will publish an annual Sustainability Bonds/ Sukuk progress report as part of Cagamas Berhad's Annual Report, which will provide information on allocation and impacts throughout the tenure of the Sustainability Bonds/ Sukuk. • Allocation Reporting: <ul style="list-style-type: none"> o Information will be provided on the amount that is equal to the net proceeds of the Sustainability Bonds/ Sukuk. • Impact Reporting: <ul style="list-style-type: none"> o Where possible, Cagamas will report on the environmental and social (where relevant) impacts resulting from the Eligible Loans/ Financing/ Assets. Cagamas may select alternative quantitative or qualitative indicators which are relevant to the selected Eligible Loans/ Financing/ Assets.
<p>External Reviews</p>	<ul style="list-style-type: none"> • For any Sustainability Bonds/ Sukuk issuance under the Framework, the Company will engage an appropriate external assurance provider to independently confirm the Annual Sustainability Progress Report and opine on its conformity with the Framework. • The Annual Sustainability Progress Report and post-issuance annual review report will be made available to the public on the Cagamas website and the reporting cycle will be in conjunction with the Company's annual report.



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A second opinion was obtained from RAM Sustainability Sdn Bhd (“RAM Sustainability”) to confirm that information provided in the report has been prepared in line with the Framework.

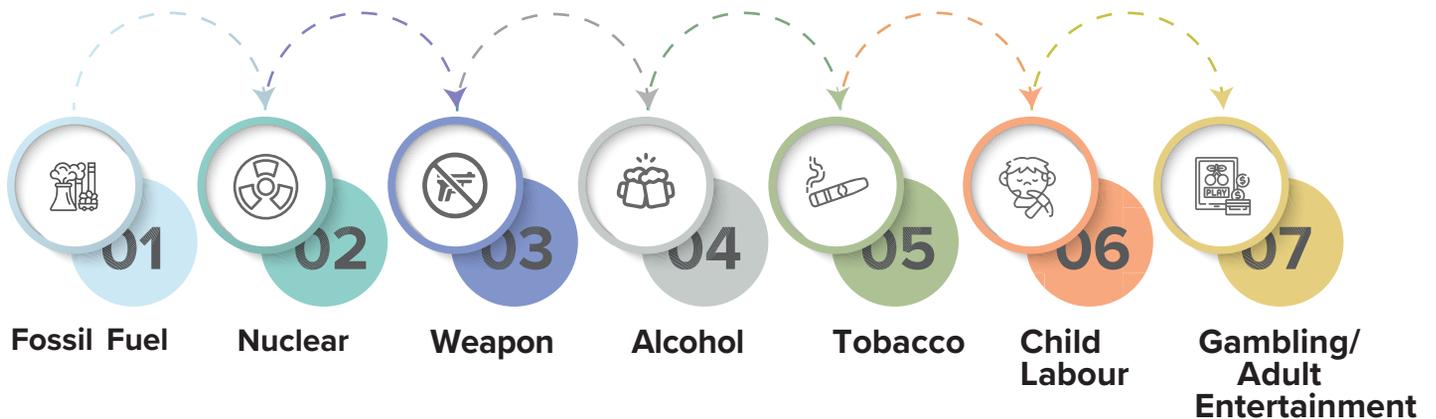
Among the five green solutions within the Framework, renewable energy and energy efficiency solutions carry the highest Environmental Benefit (“EB”) ratings of Tier-1. Meanwhile, Tier-1 Social Benefit (“SB”) ratings were assigned to the affordable housing and employment generation via Small and Medium Enterprise (“SME”) solutions.

SUMMARY

RAM Sustainability’s second opinion on the Framework concludes that it provides clarity on important aspects such as the intended use of proceeds, project evaluation and selection, management of proceeds and reporting commitments. The Framework is aligned with the transparency and disclosure requirements of Securities Commission Malaysia’s Sustainable & Responsible Investment (“SRI”) Sukuk Framework, the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, the ASEAN Sustainability Bond Standards and the globally recognised Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines. In our view, Cagamas’ Proposed Sustainability Bonds/ SRI Sukuk will create a positive environmental and social impact by financing projects and solutions that are essential for a sustainable future.



Excluded Use of Proceeds as stated in the Framework:





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CAGAMAS INAUGURAL SUSTAINABILITY PROGRESS REPORT

In 2020, aligned with the company’s commitment to support industry-led sustainable product offering, Cagamas successfully issued its inaugural and Malaysia’s first issuance of RM100 million ASEAN Sustainability SRI Sukuk (“SRI Sukuk”) for affordable housing and its first multi-tenured RM100 million ASEAN Sustainability Bonds (“ASEAN Sustainability Bonds”) for the SME sector.

The SRI Sukuk was assigned the highest Social Benefit (“SB”) rating of Tier-1 for affordable housing by RAM Sustainability under the Framework.

Meanwhile, the ASEAN Sustainability Bonds were assigned the highest Environmental Benefit (“EB”) and SB rating of Tier-1 correspondingly for renewable energy and employment generation via SMEs. Additionally, an EB Tier-2 rating was assigned for sustainable water and wastewater management.

Information on the Sustainability Bond/ Sukuk issuances in 2020 is set out below:

Cagamas Sustainability Bond/ Sukuk Issuances					
Facility Description	Stock Code	Issue date	Maturity date	Original Tenure	Issue Size (RM mil)
Sustainability Sukuk Cagamas	VG200270	26/10/2020	26/10/2023	3.0	100
Sustainability Cagamas MTN	UE200255	27/10/2020	28/10/2021	1.0	35
Sustainability Cagamas MTN	UF200254	27/10/2020	27/10/2022	2.0	20
Sustainability Cagamas MTN	UG200253	27/10/2020	27/4/2023	2.5	45
				Total	200



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Information on the breakdown of the use of proceeds are illustrated in the following table:

Use of Proceeds			
No.	Purpose	RM mil	%
1.	Renewable Energy	0.26	0.13%
2.	Sustainable Water and Wastewater Management	0.64	0.32%
3.	Affordable Housing	99.95	49.98%
4.	Employment Generation	99.10	49.55%
5.	Unallocated	0.05	0.02%
	TOTAL	200.00	100.00%

Proceeds from the Sustainability Bond and Sukuk issuances were used to purchase loans/ financing related to renewable energy, sustainable water and wastewater management, affordable housing and employment generation via SMEs. Unallocated funds amounting to 0.02% from the total issuance proceeds are placed in money market instruments.

Details of the loans/ financing purchased are illustrated in the following table:

Details of Sustainability Loans/ Financing				
No.	Use of Proceeds	Descriptions	Impact	Impact Indicators
1.	Renewable Energy	Solar Photovoltaics system for rooftop installation	90kwp	Total installed capacity
2.	Sustainable Water and Wastewater Management	Effluent water treatment	10 - 25m ³ /day	Amount of wastewater treated
3.	Affordable Housing	Affordable Housing	564	Total affordable homes
4.	Employment Generation	Non-carbon emitting industrial hire purchase receivables for Small and Medium Enterprises	374	Total number of SMEs

CONCLUSION

Cagamas is committed to improve environmental sustainability for the assets we refinance, the communities we serve and the place we work.

Cagamas is focused on delivering its mandate by pursuing a sustainable business model to create positive environmental, social, and economic outcomes through financing of affordable housing initiatives. Cagamas believes that adhering to responsible business practices can provide numerous benefits to the company, our investors and the community.

Cagamas also endeavours to drive social and economic progress through innovative solutions, collaborations and partnerships as well as continue its journey to enhance its sustainability agenda to attain a positive societal impact, aligned with the company's mandate and overall objectives.



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CORPORATE SOCIAL RESPONSIBILITY AND ZAKAT WAKALAH PROGRAMME

March

Cagamas Contributes Towards Medical Equipment Purchase for COVID-19 Patients

Cagamas, through its CSR initiative, contributed towards the purchase of medical equipment organised by Mercy Malaysia (Mercy). This CSR initiative is in support of the Government’s effort to mitigate and curb the COVID-19 outbreak in Malaysia. The contribution to Mercy’s Wakaf Covid-19 fund will facilitate the purchase of 20 ventilators to be used in Intensive Care Units at designated government hospitals.



Cagamas Zakat Wakalah Programme – Food Supply Contribution To Aid 137 Asnaf in Selangor and Kuala Lumpur

Cagamas, in collaboration with Persekutuan Orang Pekak under the Cagamas ZWP, donated care-packs containing two weeks worth of food supplies to assist 137 asnaf recipients in Selangor and Kuala Lumpur affected by the Government’s Movement Control Order due to the COVID-19 pandemic. Representatives from the Persekutuan Orang Pekak Malaysia distributed these care-packs to the recipients on behalf of Cagamas.



Cagamas Zakat Wakalah Programme – Cash Contribution for Asnaf in Merbok, Kedah

Cagamas, under its Cagamas ZWP, made a cash contribution to assist 14 asnaf recipients in Merbok, Kedah affected by the Government’s Movement Control Order due to the COVID-19 pandemic. The cash received would help them purchase essential household goods. The village representative distributed the cash contribution to the recipients on behalf of Cagamas.



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May

Cagamas Zakat Wakalah Programme – Contribution to Pusat Pungutan Zakat (“PPZ”) Musaadah Khaira Fund

Cagamas under its ZWP, contributed to the PPZ Musaadah Khaira Fund (fund), an initiative by the Zakat Collection Center – Federal Territory Islamic Religious Council under the Department of Islamic Development Malaysia. The fund is intended to ease the burden of those who are adversely affected by the Government’s Movement Control Order due to the COVID-19 outbreak. Cagamas presented its contribution to Yang Berhormat Senator Datuk Seri Dr. Zulkifli Mohamad Al-Bakri, Minister in the Prime Minister’s Department (Religious Affairs) at a ceremony held in Putrajaya.



August

Teach for Malaysia’s Week - Virtual Co-Teaching with TFM Fellow

A member of the Cagamas management team volunteered to co-teach a virtual English lesson with a TFM Fellow (“Fellow”) at a school in Ulu Tiram, Johor during TFM Week. TFM Week is one of TFM’s most significant events where key influencers, including corporate figures, celebrities and members of the civil service spend time as “teachers” for a day, co-teaching a lesson in school with a Fellow.





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September

Cagamas Berhad Scholarship Programme (“CSP”) 2020

With the aim of removing barriers to education for the low-income group, Cagamas awarded six scholarships to promising young Malaysians under its CSP as part of its ongoing corporate social responsibility initiatives. The CSP, which is bond-free, funds selected undergraduate programmes in local universities, and covers tuition fees, living expenses, as well as books and equipment. Due to movement restrictions during the pandemic, application shortlisting processes including tests and interviews were conducted in a virtual setting. In addition to household income and accessibility to financial support, selection was also based on the applicant’s academic and extracurricular achievements, communication skills and potential leadership qualities.



December



Cagamas CSR Collaboration with Women of Will (“WoW”) to Support B40 Women Farmers in Sabah

Cagamas, through its corporate social responsibility collaboration with Non-Governmental Organisation, WoW, contributed towards the purchase of farm equipment as well as training and coaching expenses for women farmers in Keningau, Sabah. This project is focused on supporting B40 women farmers in Sook, Keningau to develop their home-based farms as business ventures and attain an independent livelihood. Participants will receive tools, training and coaching to develop a sustainable business. The six training sessions and eight coaching sessions will be conducted from December 2020 to June 2021. These sessions are focused on equipping participants with organic farming skills as well as entrepreneurship skills.



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Volunteer Programme with Urban Hijau's Guerrilla Planting Project

As part of its corporate social responsibility and sustainability initiative, Cagamas collaborated with Incitement Malaysia via Urban Hijau's Guerrilla Planting Project to organise a volunteer programme for staff to learn urban farming methodologies (including composting, soil-mixing and harvesting) first hand and prepare growers' kits/ saplings ("kits") for edible plants. These kits will be planted during the physical volunteering segment at the GIFT Foundation, Teluk Gadung, Selangor, which serves underprivileged B40 community members. The physical segment will take place when permitted by the authorities.



Corporate Social Responsibility Initiative 2020 – Urban Hijau Guerrilla Planting Project

Cagamas
National Mortgage Corporation of Malaysia

