

MARC

MARC RATINGS BERHAD

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POINT ZONE (M) SDN BHD

PRE-ISSUANCE SUSTAINABILITY SUKUK FRAMEWORK
ASSESSMENT

AUGUST 2022



SUSTAINABILITY SUKUK
FRAMEWORK ASSESSMENT

MARC Ratings Berhad (MARC Ratings) has been engaged by Point Zone (M) Sdn Bhd as an independent external reviewer for its Sustainability Sukuk Framework. This external review was conducted according to the analytical framework in MARC Ratings' Impact Bond Assessment (IBA) methodology that is published on its website.

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SUMMARY

Point Zone (M) Sdn Bhd (PZSB or the Issuer), a wholly-owned subsidiary of KPJ Healthcare Berhad (KPJ), is proposing to issue Sustainability Sukuk Wakalah to finance and/or refinance, in whole or part, eligible capital expenditures and working capital, existing borrowings, operating expenses and other expenses related to KPJ Group's new or existing healthcare assets, businesses, projects and/or products as defined in its Sustainability Sukuk Framework (SSF) dated January 2022 (collectively, Eligible Assets).

PZSB's SSF Assessment is a three-part analysis consisting of a primarily qualitative impact significance analysis of the Use of Proceeds under its SSF; an assessment of alignment of the SSF with the core components of the ASEAN Sustainability Bond Standards (ASEAN SUS), the ASEAN Green Bond Standards (ASEAN GBS) and the ASEAN Social Bond Standards (ASEAN SBS) (collectively the ASEAN Standards) in addition to Securities Commission Malaysia's (SC) Sustainable and Responsible Investment (SRI) Sukuk Framework; and an evaluation of KPJ Group's sustainability implementation capacity and performance. MARC Ratings also assessed the SSF's alignment with the International Capital Market Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG) 2021 (collectively the ICMA Principles).

In performing its assessment, MARC Ratings has predominantly relied on the information provided by KPJ as well as information gathered from the public domain. The SSF provides guidelines for issuances of all Sustainability Sukuk Wakalah.

The SSF aligns with the four common core components of the ASEAN Standards, the SC's SRI Sukuk Framework and the ICMA Principles: (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds and (4) reporting. Eligible green and/or social projects must meet the Eligibility Criteria.

The proceeds of the Sustainability Sukuk Wakalah will be used by KPJ Group to finance and/or refinance assets, businesses, projects and/or products that meet KPJ's SSF Eligibility Criteria (Eligible Assets). The SSF outlines seven eligible social and green project categories aligned with those recognised by the ASEAN Standards and SC's SRI Sukuk Framework. Each of the SSF's eligible categories have been aligned with the relevant UN Sustainable Development Goals (SDGs). The SSF links KPJ's sustainability strategy to its funding of sustainability initiatives related to providing access to quality and inclusive healthcare; delivering better integrated care; providing a strong and robust continuum of care that addresses community and population needs; and lowering its carbon impact while enhancing resource management. The Use of Proceeds will, in MARC Ratings' opinion, have positive environmental and social impacts and advance the SDGs, specifically 3, 4, 5, 6, 7, 8, 9, 10, 12, and 13.

Under the "Access to Essential Services" social project category, proceeds may be allocated towards a broad range of investments and activities. Among others, KPJ may finance or refinance the construction of new hospitals and/or expansion of existing hospitals; the expansion of its community-based healthcare services (including ambulatory care centres, pharmacies, senior and assisted living care centres, and confinement centres); and the continuation and/or extension of initiatives that help ensure access to affordable healthcare for the underprivileged (defined in the SSF as B40) and persons with disabilities. MARC Ratings considers this social project category and subcategories to be well aligned with the main issues of the healthcare sector, in particular the increasing costs of treatment, an ageing population, the increasing double burden of communicable and non-communicable diseases (NCDs) and systemic inequities in the delivery of care. With its focus on expanding healthcare capacity and providing people with comprehensive, coordinated and quality care to stay well in their communities, MARC Ratings believes this project category will contribute impactfully towards a

stronger national healthcare system by making healthcare more accessible, responsive, resilient and sustainable. Importantly, the transformation of care pathways towards reduced hospital-based care will also help shrink the carbon footprint of healthcare.

KPJ also intends to allocate Sustainability Sukuk Wakalah proceeds towards the socioeconomic advancement and empowerment of the underprivileged and small medium enterprises (SMEs) including women-owned SMEs by providing equitable access to education, employment and business opportunities. Apart from advancing SDG 3's goal of health and well-being for all, other positive social outcomes that will be generated by the social project categories include the promotion of employment opportunities, decent work and social inclusion.

The SSF also includes Green Buildings; Energy Efficiency; Sustainable Water and Wastewater Management; Pollution Prevention and Control; and Climate Change Adaptation as eligible green project categories in support of KPJ's commitment to reduce the environmental impact of healthcare. Sukuk proceeds may be directed to a wide range of green projects in three main areas: energy, waste and water.

KPJ has established a governance process for project evaluation and selection under which a Sustainability Working Committee (SWC) reviews and endorses proposed eligible projects to ensure compliance with the SSF. Where any proceeds cannot be immediately allocated to finance or refinance these projects, the funds will initially be held as cash, cash equivalents and/or invested in other Shariah-compliant marketable instruments according to KPJ Group's liquidity policy, further subject to the terms and conditions of the Sukuk Wakalah Programme. KPJ Group's Finance Division will track and manage the net proceeds of the Sustainability Sukuk Wakalah internally. During the life of the sukuk, Eligible Assets will be added to or removed from the portfolio of Eligible Assets to the extent required. If an asset is removed from the Eligible Assets portfolio, KPJ will strive to replace the asset with another Eligible Asset as soon as reasonably practicable. MARC Ratings assesses the process for the management of proceeds to be aligned with market practices.

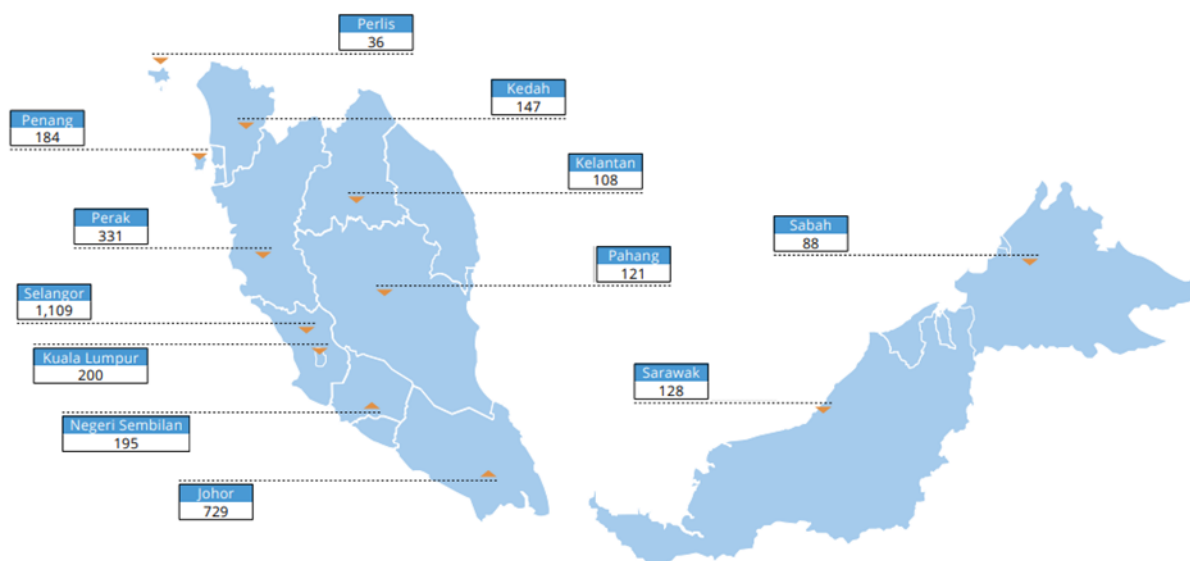
KPJ will publish a Sustainability Sukuk Report on its website on an annual basis until the maturity of the sukuk. Each report will provide the following information, among others: the use and allocation of the sukuk proceeds, the portion of financing and refinancing, the unutilised amount and where such unutilised amount is placed or invested pending utilisation, the removal or substitution of Eligible Assets, and the sustainability impacts of Eligible Assets. KPJ intends to report on a range of environmental and social impact indicators for Eligible Assets funded with the sukuk in the Sustainability Sukuk Report.

Based on our review of the relevant documentation and assessment as per our IBA methodology, MARC Ratings has assigned a "Gold" IBA to PZSB's SSF. MARC Ratings also opines that the aforementioned framework is correspondingly aligned with the core components of the ASEAN Standards, the SC's SRI Sukuk Framework and the ICMA Principles.

Introduction

Listed on Bursa Malaysia's Main Market since 1994, KPJ has been a constituent of the Bursa Malaysia FTSE4Good Index since 2016. Since opening its first specialist private hospital in the state of Johor in 1981, KPJ has become Malaysia's largest private hospital operator in terms of bed capacity (2021: 3,376). KPJ also operates the largest network of private hospitals in the country with 29 specialist hospitals providing a comprehensive range of specialist medical services throughout Malaysia. Of its existing 28 hospitals, 19 are accredited by the Malaysian Society for Quality in Health (MSQH) and four hospitals are accredited by the Joint Commission International (JCI). KPJ Group is currently supported by 1,322 medical specialists on board and treats an average of more than 2.9 million patients annually.

Exhibit 1: KPJ's bedcount capacity in Malaysia



In addition to hospitals, KPJ operates two ambulatory care centres (ACCs), KPJ Healthshoppe and JX Pharmacy retail pharmacies, senior and assisted living care centres, 17 Klinik Waqaf An-Nur (KWAN), six mobile clinics, as well as a university college, KPJ Healthcare University, providing nursing and allied health education. KPJ also has investments in hospitals in Indonesia, Thailand and Bangladesh as well as in a retirement resort in Queensland, Australia.

The Private Healthcare Sector and Public Health

Malaysia operates a two-tier healthcare system in which tax-funded, publicly provided care coexists with largely out-of-pocket (OOP) financed private care. In Malaysia, the government provides and finances the public healthcare system, the central tenet of which is publicly funded care for citizens who need it. Main public healthcare provider, the Ministry of Health (MOH), provides primary care, secondary care and tertiary care through government health and community clinics, district hospitals and general hospitals for a nominal fee.

Private healthcare providers include general practitioner clinics, medical centres and private hospitals which operate either as a group or chain, or as stand-alone institutions. The private healthcare sector in Malaysia has expanded rapidly over the last few decades partly due to efforts by the government to increase private participation in the healthcare system. The private hospitals operate on a fee-for-service basis and mostly serve the middle- and higher-income population segments in urban areas. Private healthcare services are regulated by the Malaysian government under the Private Health Care Facilities and Services Act 1998. Private healthcare providers' involvement in national health systems is significant in scale and scope. Private healthcare providers complement the provision of public universal healthcare and play an important role in increasing health equity. In 2019, private hospitals accounted for around 30% of total hospital admissions and 13% of total outpatient visits. In 2019, there were around 154 government hospitals and 250 private hospitals in Malaysia. A significant percentage of citizens rely on private healthcare of varying capacity and quality to avoid delays in accessing public health services and long waiting times for treatment.

While universal health coverage (UHC) remains a public health policy objective, its sustainability is now in question. Affordability of healthcare services and products is a hot-button issue with cost pressures increasing for all payers: governments, employers, and households. Factors contributing to a continued rise in healthcare expenditures are the rising disease burden, higher patient expectations (than at any other time before) and increasing costs of treatment. OOP healthcare spending is expected to continue rising through the foreseeable future, having more than tripled from RM7.14 billion in 2006 to RM23.15 billion in 2020. The bulk of OOP expenditure in 2020 went to private hospitals at RM10.37 billion or 45% of total OOP spending for the year. Private households were the single largest private source of health financing at RM23.15 billion in 2020. The rising trend of OOP payments in Malaysia suggests an increasing risk of undue financial hardship for households from unaffordable OOP payments.

The COVID-19 pandemic has demonstrated the consequences of a chronically under-funded and over-stretched public healthcare sector faced with unexpected surges in demand for care. Prior to the pandemic, the public healthcare sector was already increasingly strained, struggling with managing growing demand for services and delivering high-quality healthcare services—all while controlling costs. The public sector caters for two-thirds of outpatient and inpatient cases, but 75% of specialists in Malaysia are in the private sector. It has also underlined the importance of strengthening primary healthcare and access to diagnostic services, primary care and more specialist services in local communities to help the population to better manage their health at home and in their communities. MOH has acknowledged the need to transform the manner in which the healthcare system is organised, financed and governed and is developing a Health White Paper on structural changes that should be made. Sustaining gains made in Malaysia's provision of UHC to date requires a national strategy that significantly addresses rising OOP payments, equity in access to care and the burden on underinvested public health systems.

On a more positive note, the recent events of the pandemic also show that the resilience of healthcare systems can be improved through better clinical and functional integration between the public and private healthcare sectors. Private-public partnerships (PPPs), which had been deployed to great effect to remediate the strain on the public healthcare infrastructure represent an important source of additional healthcare capacity that can be used to address the inequities in healthcare access and outcomes. MOH has communicated its intention to expand PPPs to effectively maximise all existing healthcare capacity in the country, a move that will invariably expand the private sector's role in public healthcare.

At the same time, it is vital for any strategy to futureproof the health system to also address the growing double burden of communicable and non-communicable diseases (NCDs) in light of Malaysia's ageing population. The fight against NCDs, in particular, requires a holistic approach involving a wide variety of private-sector partners to improve both treatment and prevention including addressing wider social determinants of health, including poverty, low education and unhealthy lifestyles. The World Health Organisation (WHO) defines health as "a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity". Implicit to this context is the notion that health gains are to be secured through the provision of universal integrated health services that are organised around the needs of people and communities. As a major stakeholder in the healthcare system, private healthcare providers, KPJ included, will have a pivotal role to play in supporting UHC and ensuring national health sustainability and security.

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APPENDIX



COMPLIANCE REVIEW FORM

01 IMPACT SIGNIFICANCE ANALYSIS

MARC Ratings' qualitative analysis of impact is conducted in the context of the United Nations SDGs. As a globally accepted guidepost for transition to sustainable development, the SDGs serve as a useful framework of reference for project impact analysis.

The proceeds of the Sustainability Sukuk Wakalah will be used to finance or refinance KPJ Group's capital expenditures and working capital, existing borrowings, operating expenses and other expenses which align to the following Eligible Categories:





| Social Project Category: Access to Essential Services – Quality Healthcare Services | | |
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| <p>Sustainability Objectives: Increase and improve medical care capacity</p> <p>Target Population: People in need of medical care</p> <p>Sustainability Benefits:</p> <ul style="list-style-type: none"> Improved healthcare delivery Strengthening universal health coverage Reduced health inequalities <p>Construction of new hospitals and/or expansion of existing hospitals KPJ opened four hospitals in the five-year period from 2017-2021. Post-completion of Damansara Specialist Hospital 2 (DSH2) in 2022, KPJ's focus will shift to upgrading and refurbishing existing hospitals. KPJ intends to progressively add 1,000 beds at its new hospitals and existing hospitals up to the end of 2025 with major additions to bed capacity at DSH2, KPJ Puteri Specialist Hospital, KPJ Ampang Specialist Hospital, KPJ Klang Specialist Hospital and KPJ Penang Specialist Hospital. Although KPJ is financing/refinancing private hospital care real estate under this subcategory, the projects will still be impactful in the local context as they also represent additional potential capacity for accommodating patients from the public system under healthcare PPPs or for supporting national response efforts during a health crisis.</p> | <p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Projects and/or such business activities including the procurement of equipment and investments in relevant technologies, in relation to the provision of essential quality services which include but are not limited to the following: <ul style="list-style-type: none"> Construction of new hospitals and/or expansion of existing hospitals including the working capital requirements for the operation of the hospitals Increasing Ambulatory Care Centres (ACCs) Improving access to pharmacies Increasing Senior and Assisted Living Care (SALC) centres Increasing confinement centres Growing and developing medical air services Creation of an integrated digital health ecosystem and facilitation of services such as telemedicine, e-prescription and home delivery systems to broaden access to quality healthcare services especially for the remote communities Supporting the research and development (R&D) | <p>SDG Alignment:</p> <p>3 GOOD HEALTH AND WELL-BEING</p>  <p>This eligibility category supports investments in facilities, services, systems, equipment or R&D that contribute to the following outcomes:</p> <ul style="list-style-type: none"> new/additional healthcare capacity to meet the growing demands placed on the health system; delivery of more integrated and coordinated care, and at less cost and as close to home as possible; increased access to services that address healthcare needs of the elderly and postpartum mothers; enabling of access to care that is not available locally or time-sensitive, and/or facilitation of extraction from physically remote or otherwise inaccessible locations that limit access to timely care; improved care continuity wherever care is being provided and more efficient use of resources'; reduced burden of communicable and NCDs. |





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| | of vaccines and medicines for | |
| Social Project Category: Access to Essential Services – Quality Healthcare Services (cont'd) | | |
| <p>Increasing Ambulatory Care Centres</p> <p>KPJ will be building up its ambulatory presence with more new centre openings in the pipeline, in the Klang Valley and Penang, as well as along the Southern and Northern corridors. The latest ACC opened by the group, KPJ Ambulatory Care Centre Kinrara, is a freestanding centre located in a community setting. The ACCs complement hospitals in providing coordinated and integrated care on an outpatient basis, including diagnosis, observation, consultation, treatment, intervention, and rehabilitation services. Payers typically pay significantly less for a procedure at these lower-cost sites of care than they would for the same procedure in an inpatient setting. The ACCs will function as spokes that connect patients to the appropriate point of care in a larger, more comprehensive hospital setting (the hub). By lowering the overall cost of care, ACCs promote the retention of savings. By enabling a shift of services from hospital to community environments, ACCs will help people to better manage their health at home and in their communities. Care delivered in an ambulatory setting is expected to grow with continuing innovations in clinical practice and technological advances.</p> <p>Improving Access to Pharmacies</p> <p>KPJ's retail pharmacy business comprises both hospital and community pharmacies, KPJ Healthshoppe outlets located inside KPJ Hospitals and JX Pharmacy outlets situated at commercial shop lots. In 2021, KPJ's retail pharmacy business continued to expand their operations onto digital platforms to improve brand</p> | communicable and NCDs. | <p>Projects that promote health and well-being for all at all ages, and universal health coverage will contribute to SDG 3, targets 3.4 and 3.8.</p> <div> <div> <p>TARGET 3.4</p>  <p>REDUCE MORTALITY FROM NON-COMMUNICABLE DISEASES AND PROMOTE MENTAL HEALTH</p> </div> <div> <p>TARGET 3.8</p>  <p>ACHIEVE UNIVERSAL HEALTH COVERAGE</p> </div> </div> |







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| awareness and consumer reach. | | |
| Social Project Category: Access to Essential Services – Quality Healthcare Services (cont'd) | | |
| <p>Cont'd</p> <p>Projects in this subcategory will improve access to safe and effective medicines in addition to preventive healthcare. Often the first line of care for people in their communities, pharmacies are vital to the health and wellbeing of their customers. Community pharmacies provide access to personalised advice about health and medicine on a walk-in basis without customers having to pay for consultation. Pharmacies also provide access to inexpensive common medications and disease testing and play an essential role in promoting the responsible use of medicines and support of adherence to treatments. Because of the OOP savings and health outcomes generated by community pharmacies, they are an essential part of the solution to sustaining UHC.</p> <p><i>Increasing Senior and Assisted Living Care Centres</i></p> <p>KPJ operates SALC centres in Kuala Lumpur, Sibul, Kuantan and Kota Kinabalu, which offer both short (respite care, day care) and long-term care.</p> <p>On the demand side, population ageing will continue to increase the number of frail older people needing long-term elder care even if they become dependent at a later stage than previous generations. Driving this increase is the range of health conditions that older people have to contend with including chronic diseases which necessitate high levels of long-term care (LTC). In Malaysia, gaps exist in the availability of quality institutional care and the vast majority of LTC is home-based, either provided by family members and/or inexpensive foreign workers. The need for more extensive</p> | | |






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| institutional care is vital to support working family | | |
| Social Project Category: Access to Essential Services – Quality Healthcare Services (cont'd) | | |
| <p>Cont'd caregivers (especially females) and elderly Malaysians who are not able to live safely in their homes. SALC centres address the need for alternatives to and/or are a supplement to informal LTC models.</p> <p>SALC centres may also contribute towards preventing costlier health outcomes, including hospitalisation and re-hospitalisation (with the provision of post-hospital discharge rehabilitation), severe long-term disabilities and premature loss-of-life.</p> <p>Confinement Centres Along with SALC services, KPJ currently offers nurse-managed after-birth care to mothers and their infants at its SALC centres in Kuala Lumpur, Sibul, Kuantan and Kota Kinabalu. In addition to accommodation, meals, support staff and laundry services, the centres provide evidence-based care that includes assessment, education and support that facilitates recovery from childbirth and adjustment to parenthood and/or infant care. Confinement centres may also enhance the health and well-being of new mothers and their infants through early identification of health conditions and by providing support for postpartum concerns between the time of discharge from hospital and the mother's and baby's first visits with their primary healthcare providers.</p> <p>Digital Healthcare Utilisation of healthcare information technology is an important component of KPJ's approach to creating an integrated and seamless patient-centric environment. The first phase of</p> | | |





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| KPJ's new hospital information system (nHIS) was rolled out at | | |
| Social Project Category: Access to Essential Services – Quality Healthcare Services (cont'd) | | |
| <p>Cont'd</p> <p>the new KPJ Damansara Specialist Hospital 2 (KPJ DSH2) in September 2022. Apart from enhancing KPJ's patient experience through increased staff and care process efficacy and enabling meaningful patient engagement, the nHIS also supports KPJ in going paperless. From 2023 onwards, the nHIS will be rolled out in phases throughout the Group. Apart from providing information critical for collaborative quality care, the one patient-one single record system will also allow patients to schedule appointments as well as to seek healthcare remotely via teleconsultation. Implemented when access to in-person treatment was curtailed during the pandemic phase of COVID-19, telehealth is likely to continue to support increased care access after the pandemic, including long-distance clinical health care and patient health-related education.</p> <p>Technology is also expected to play an important role in KPJ's hub-and-spoke model of integrated patient-centred care with health information technology, artificial intelligence (AI), and Internet of Things (IoT) enabling KPJ's digital transformation of healthcare going forward.</p> <p>Projects in this subcategory will also help enable better customer experiences, economic efficiencies, and deliver seamless care more effectively to those with complex and/or chronic conditions and under the care of different providers.</p> <p><i>Research and development (R&D) of vaccines and medicines for communicable and non-communicable diseases</i></p> | | |







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| Communicable disease control has always been and remains a | | |
| Social Project Category: Access to Essential Services – Quality Healthcare Services (cont'd) | | |
| <p>public health priority, along with non-communicable diseases. Cardiovascular diseases, cancers, chronic respiratory diseases and diabetes impose significant burdens on health and are leading causes of death and disability. Meanwhile, the COVID-19 pandemic underscores the importance of building research capacity for communicable diseases.</p> <p>Projects in this sub-category can potentially contribute to addressing the rising burden of non-communicable diseases as well as more effective response measures to and ultimate control of epidemics and pandemics. This will, in turn, help reduce the pressure on the national health system.</p> | | |
| Social Project Category: Access to Essential Services – Healthcare Services to the Underprivileged (B40) and Disabled Communities | | |
| <p>Sustainability Objective: Increase and improve medical care capacity for vulnerable communities</p> <p>Target Population: Underserved or vulnerable people in need of medical care</p> <p>Sustainability Benefits:</p> <ul style="list-style-type: none"> Improved healthcare delivery Strengthening universal health coverage Reduced health inequalities <p>KPJ provides access to outpatient treatment and care services to the underserved in urban communities through its KWAN network which presently consists of a Waqaf An-Nur hospital in Pasir Gudang, Johor, and 17 clinics in six states. Located within the compounds of mosques or in shop houses, the KWAN clinics serve local communities in the states of Johor, Negeri Sembilan, Selangor, Sarawak,</p> | <p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Projects aimed at providing healthcare services to the underprivileged (B40) and disabled communities: <ul style="list-style-type: none"> Affordable health facilities for outpatient treatment and healthcare services to the B40 and disabled communities such as KWAN which provides outpatient treatment and care services as well as subsidised dialysis treatment Education and healthcare awareness programmes to build healthy B40 and disabled communities Public-private or private-private partnerships/ collaborations to provide affordable healthcare services to | <p>SDG Alignment:</p> <p>3 GOOD HEALTH AND WELL-BEING</p>  <p>Projects that promote health and well-being for the underprivileged and disabled communities will also contribute to SDG 3, targets 3.4 and 3.8.</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="949 1512 1125 1825"> <p>TARGET 3.4</p>  <p>REDUCE MORTALITY FROM NON-COMMUNICABLE DISEASES AND PROMOTE MENTAL HEALTH</p> </div> <div data-bbox="1141 1512 1316 1769"> <p>TARGET 3.8</p>  <p>ACHIEVE UNIVERSAL HEALTH COVERAGE</p> </div> </div> <p>10 REDUCED INEQUALITIES</p>  |








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| Perak and Pulau Pinang. Eight of its KWAN clinics are MSQH-accredited, which attests to the quality of community healthcare provided. KPJ has | Malaysia's B40 and disabled communities | |
| Social Project Category: Access to Essential Services – Healthcare Services to the Underprivileged (B40) and Disabled Communities (cont'd) | | |
| <p>been collaborating with Islamic faith-based organisations to provide mobile clinic services in the state of Selangor. By meeting patients where it is most convenient and effective for them, the clinics and dialysis centres provide affordable patient care access to vulnerable urban communities. KPJ's community health outreach efforts also include education and health awareness programmes.</p> <p>Through its focus on community health and education, investments in this subcategory will support community and public health, and advance health equity.</p> | | <p>Additionally, these projects for the underprivileged and disabled communities will also contribute to SDG 10, target 10.2 as these communities typically face many challenges achieving optimal health and accessing high-quality healthcare.</p> <div data-bbox="954 629 1118 891"> <p>TARGET 10-2</p>  <p>PROMOTE UNIVERSAL SOCIAL, ECONOMIC AND POLITICAL INCLUSION</p> </div> |
| Social Project Category: Socioeconomic Advancement & Empowerment | | |
| <p>Sustainability Objectives: Improve social participation opportunities for vulnerable groups and mitigate economic inequality through employment generation</p> <p>Target Population: Underprivileged students, the unemployed, women, gender and sexuality minorities, and other excluded and/or marginalised populations or communities</p> <p>Sustainability Benefits:</p> <ul style="list-style-type: none"> Improved inclusion of the underprivileged and SMEs Reduced social disparities <p>KPJ provides partial and full-tuition scholarships to outstanding underprivileged nursing and health science students. Apart from tuition scholarships, KPJ also offers financial aid to students who exhibit high potential or who are facing financial challenges.</p> <p>Apart from enabling the underprivileged to further their</p> | <p>Eligibility Criteria:</p> <p>Activities aimed at supporting the underprivileged and SMEs to advance their socio-economic position:</p> <ul style="list-style-type: none"> Education: Sponsorship for underprivileged students in nursing and health sciences. Employment: Employment of sponsored KPJ Healthcare University underprivileged students by KPJ Group Supply Chain Integration: Integration of SMEs into KPJ Group's supply chain to facilitate access to vendor financing provided by the Group's financiers, including increasing the number of SME vendors that are women-owned to promote gender equality | <p>SDG Alignment:</p> <div data-bbox="954 1115 1102 1272"> <p>4 QUALITY EDUCATION</p>  </div> <p>Accessible education activities will contribute directly to SDG 4 and target 4.5 on ensuring equal access to all levels of education and vocational training.</p> <div data-bbox="954 1458 1102 1697"> <p>TARGET 4-5</p>  <p>ELIMINATE ALL DISCRIMINATION IN EDUCATION</p> </div> <div data-bbox="954 1742 1102 1883"> <p>5 GENDER EQUALITY</p>  </div> <p>Projects that demonstrably contribute to gender equality in access to economic opportunities will contribute to SDG 5 and target 5.5.</p> |

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| education and pursue employment opportunities, social investments made in the education of future health workers will also contribute | | |
| Social Project Category: Socioeconomic Advancement & Empowerment (cont'd) | | |
| <p>towards developing competent health workforces vital to the delivery of accessible, quality health services and to ensure sustainable health systems.</p> <p>The integration of SMEs, including women-owned SMEs, into KPJ's supply chain will help facilitate access to economic opportunities and support the development of SMEs. Under the National Entrepreneurship Policy 2030, the Government has set a target for SMEs to increase their contribution to GDP to 50% by 2030.</p> | | <p>TARGET 5-5</p>  <p>ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION-MAKING</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  <p>Supply chain integration projects will contribute to SDG 8 and targets 8.5 and 8.10 (where financing access is facilitated).</p> <p>TARGET 8-5</p>  <p>FULL EMPLOYMENT AND DECENT WORK WITH EQUAL PAY</p> <p>TARGET 8-10</p>  <p>UNIVERSAL ACCESS TO BANKING, INSURANCE AND FINANCIAL SERVICES</p> |
| Green Project Category: Green Buildings | | |
| <p>Sustainability Objective: To support transition to a low-carbon economy, to develop low-carbon buildings and improve building energy efficiency</p> <p>Sustainability Benefits: Reduction of energy consumption and avoidance of GHG emissions</p> <p>KPJ is targeting to achieve green building certification for all its hospitals by the year 2030. Based on minimum certification level requirements for eligible projects in this category (and associated high standard of energy performance), the green building capital investments financed/refinanced are expected to be effective in</p> | <p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Capital investments for new and/or existing hospitals to be built as environmental-friendly hospitals and non-hospital buildings to achieve the green building requirements as set out by acceptable (locally and internationally) green building standards or guidelines, including but not limited to the following: - <ul style="list-style-type: none"> LEED (minimum Gold) Building Research Establishment Environmental Assessment Method (BREEAM) (minimum Excellent) | <p>SDG Alignment:</p> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>This eligible category is likely to make direct contribution to SDG 7, target 7.3.</p> <p>TARGET 7-3</p>  <p>DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY</p> |

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| reducing business-as-usual energy consumption and energy costs where they replace existing energy inefficient buildings. | <ul style="list-style-type: none"> - Green Building Index (GBI) (minimum Gold) - GreenRE (minimum Gold) | <p>13 CLIMATE ACTION</p>  <p>Green buildings produce fewer emissions, helping to build capacity to</p> |
| Green Project Category: Green Buildings (cont'd) | | |
| As for new buildings, the primary outcome will be the avoidance of new emissions. Presently, three of KPJ's hospitals, namely KPJ Ampang Puteri Specialist Hospital's new inpatient block, KPJ Damansara Specialist Hospital and KPJ Bandar Dato' Onn Specialist Hospital are GBI-certified. | <ul style="list-style-type: none"> - BCA Green Mark (minimum GoldPlus) - WELL Building Standard (minimum Gold) | <p>meet climate change in line with SDG 13, target 13.3.</p> <p>TARGET 13-3</p>  <p>BUILD KNOWLEDGE AND CAPACITY TO MEET CLIMATE CHANGE</p> |
| Green Project Category: Energy Efficiency | | |
| <p>Sustainability Objective: To support transition to a low-carbon economy, to develop low-carbon buildings and improve building energy efficiency</p> <p>Sustainability Benefits:</p> <ul style="list-style-type: none"> • Reduction of energy consumption and avoidance of GHG emissions <p>Hospitals consume large amounts of energy because of their round-the-clock operations, Heating, Ventilation and Air Conditioning (HVAC) systems and energy-intensive medical equipment. Improving energy efficiency in hospitals is key to reducing carbon emissions and energy costs. KPJ Group's energy-related initiatives are guided by the Energy Commission's Efficient Management of Electrical Energy Regulations 2008 (EMEER 2008) and the Malaysian Society for Quality in Health (MSQH) Standards (5th Edition).</p> <p>This eligible subcategory addresses the top users of energy in KPJ's hospitals, HVAC systems, lighting and medical equipment. Investments in</p> | <p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Investments in resource efficient buildings, production processes, equipment, logistics and services which could result in significant improvement in the overall carbon footprint and energy consumption per patient annually, which include but are not limited to the following: <ul style="list-style-type: none"> - Energy management consultancy services from a certified service provider - Improvements to Air Conditioning Mechanical Ventilation (ACMV) systems for hospital and non-hospital buildings - Improvement to lighting systems by replacing conventional light bulbs with LED lights for hospital and non-hospital buildings - Scheduled and planned preventive maintenance for hospital and non-hospital buildings | <p>SDG Alignment:</p> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>Using energy more efficiently is one of the most effective ways to reduce GHG emissions and meet growing energy demand. By lowering overall electricity demand, energy efficiency improvements help reduce the need for new electricity generation and transmission infrastructure.</p> <p>This eligible category is likely to make direct contribution to SDG 7, target 7.3.</p> <p>TARGET 7-3</p>  <p>DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY</p> <p>13 CLIMATE ACTION</p>  <p>Energy efficiency projects will help to build capacity to combat climate change in line with SDG 13, target 13.3.</p> |

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| <p>energy-saving measures will contribute to the achievement of national targets under Malaysia's National Energy Efficiency Action Plan 2016 and Green Technology Master Plan Malaysia (GTMP) 2017-2030.</p> | <ul style="list-style-type: none"> - Energy awareness training - Procurement of medical devices with lower power consumption and improved end-of-product life cycle recycling | <p>TARGET 13-3</p>  <p>BUILD KNOWLEDGE AND CAPACITY TO MEET CLIMATE CHANGE</p> |
| <p>Green Project Category: Sustainable Water and Wastewater Management</p> | | |
| <p>Sustainability Objective: Efficient water resource management and reduced water consumption</p> <p>Sustainability Benefits: Sustainable use and protection of water resources</p> <p>As a sector with high water use intensity, water sustainability in hospitals is vital to meet their current and future water demands and to protect the environment.</p> <p>Importantly, the COVID-19 pandemic has underscored the importance of an adequate supply of safe and clean water for well-functioning healthcare facilities during an infectious disease outbreak. The sustainable management of water and wastewater can help decrease operating costs as well as energy and water use. For example, using harvested rainwater for non-potable functions will reduce water utility costs.</p> <p>One of KPJ's ongoing water-saving initiatives concerns the conservation and reuse of reverse osmosis (RO) reject water for non-potable uses such as flushing, cleaning and irrigation by the end of 2022.</p> <p>This project category will help KPJ meet its sustainability target of reducing water usage by 20% per patient by 2025 from its 2021 baseline.</p> | <p>Eligibility Criteria:</p> <p>Investments in water efficiency in buildings or land including the use of non-potable or reclaimed water:</p> <ul style="list-style-type: none"> • to provide adequate supply of safe and clean water for the purpose of cooling, cleaning and washing facilities for the patients and staff • to reduce water consumption in hospitals and other facilities, and recycle, treat and reuse wastewater and harvest rainwater | <p>SDG Alignment:</p> <p>6 CLEAN WATER AND SANITATION</p>  <p>A circular economy or resource recovery approach to water and wastewater management can alleviate stress on primary water resources which are under pressure from the continuing population growth and urbanisation.</p> <p>Sustainable waste and wastewater management projects will contribute to SDG 6, targets 6.3 and 6.4.</p> <div> <div data-bbox="963 1115 1123 1375"> <p>TARGET 6-3</p>  <p>IMPROVE WATER QUALITY, WASTEWATER TREATMENT AND SAFE REUSE</p> </div> <div data-bbox="1139 1115 1299 1375"> <p>TARGET 6-4</p>  <p>INCREASE WATER-USE EFFICIENCY AND ENSURE FRESHWATER SUPPLIES</p> </div> </div> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <p>This eligible category also contributes to SDG 12 and target 12.2.</p> <div> <div data-bbox="963 1657 1123 1917"> <p>TARGET 12-2</p>  <p>SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES</p> </div> </div> |

| Green Project Category: Pollution Prevention and Control | | |
|--|--|---|
| <p>Sustainability Objective: Efficient resource management through reduced waste generation</p> <p>Sustainability Benefits: Pollution prevention and control</p> <p>Healthcare facilities generate both liquid and solid wastes</p> | <p>Eligibility Criteria:</p> <p>Investments to substantially reduce waste generation through prevention, reduction, recycling and reuse which include initiatives to:</p> <ul style="list-style-type: none"> develop and implement improved processes towards achieving a circular economy to reduce, reuse | <p>SDG Alignment:</p> <p>3 GOOD HEALTH AND WELL-BEING</p>  <p>This eligible category contributes to SDG 3 and target 3.9.</p> |
| Green Project Category: Pollution Prevention and Control (cont'd) | | |
| <p>which may include sharp and other infectious materials, chemicals and radioactive materials that need to be sustainably managed to ensure the health and safety of patients, staff, communities and the environment. The safe handling of hazardous healthcare waste and its final disposition is an indispensable component of a holistic pandemic response and future pandemic preparedness efforts.</p> <p>The impact of COVID-19 on healthcare waste loads has brought to fore the importance of resilient waste management systems that are ecologically sustainable and economically viable in addition to meeting existing national regulations and international standards on healthcare waste segregation, destruction and disposal practices.</p> <p>This eligible category will strengthen KPJ's waste management systems to safely and sustainably reduce and manage healthcare waste at a time when the healthcare sector is under increasing pressure to reduce its carbon footprint and minimise waste sent to landfill. Initiatives promoting safe infectious waste management by communities and households, meanwhile, are particularly important in the context of COVID-19 pandemic to prevent the transmission of the virus and to protect the health of the</p> | <p>and recycle water, raw materials, non-renewable minerals, energy, other inputs, by-products, hazardous waste, non-hazardous waste, general waste and packaging</p> <ul style="list-style-type: none"> recycle non-clinical waste such as paper and other recyclable items track and report waste generated by types of hazardous waste (schedule waste) and non-hazardous waste support the Ministry of Environment and Water and local communities in safely managing medical waste to avoid contamination of water sources | <p>TARGET 3-9</p>  <p>REDUCE ILLNESSES AND DEATH FROM HAZARDOUS CHEMICALS AND POLLUTION</p> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <p>This eligible category will contribute to SDG 12, targets 12.4 and 12.5 which aim to achieve environmentally sound management of chemicals and all wastes throughout their life cycle, and to reduce waste generation through prevention, reduction, recycling and reuse.</p> <p>TARGET 12-4</p>  <p>RESPONSIBLE MANAGEMENT OF CHEMICALS AND WASTE</p> <p>TARGET 12-5</p>  <p>SUBSTANTIALLY REDUCE WASTE GENERATION</p> <p>13 CLIMATE ACTION</p>  <p>This eligible category will also contribute to SDG 13 and build capacity to combat climate change in line with target 13.3.</p> |

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| <p>general public until the pandemic is over.</p> | | <p>TARGET 13-3</p>  <p>BUILD KNOWLEDGE AND CAPACITY TO MEET CLIMATE CHANGE</p> |
| <p>Green Project Category: Climate Change Mitigation and Adaptation</p> | | |
| <p>Sustainability Objective: Climate change mitigation, adaptation and resilience</p> <p>Sustainability Benefits: Climate-resilient healthcare</p> <p>This eligible category is expected to support climate actions outside other eligible green categories in the SSF.</p> <p>WHO identifies four fundamental prerequisites or ensuring climate resiliency and environmental sustainability in healthcare facilities:</p> <ul style="list-style-type: none"> • An adequate health workforce that is climate resilient in the execution of health services; • Sustainable and safe management of water, sanitation and healthcare waste services; • Sustainable energy services; and • Appropriate infrastructure and technologies that allow for the efficient functioning of the healthcare facility. | <p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Investments to build resilient healthcare systems able to anticipate, respond to, cope with, recover from and adapt to climate risks including increased morbidity arising from natural disasters such as heatwaves, floods, droughts and storms • Investments in healthcare solutions to mitigate the impacts of a changing climate which include food-borne and water-borne diseases, increased air pollution, undernutrition, and heat-related mortality, exhaustion and stroke | <div data-bbox="949 510 1343 824"> <div> <p>6 CLEAN WATER AND SANITATION</p>  </div> <div> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  </div> <div> <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  </div> <div> <p>13 CLIMATE ACTION</p>  </div> </div> <p>This eligible project category is expected to address natural resource utilisation, clean energy, among other important issues affecting the climate resiliency of the healthcare sector. In addition to SDGs 6 (targets 6.3 and 6.4), 7 (targets 7.2 and 7.3), and 12 (targets 12.2, 12.4 and 12.5) where eligible projects are related to water use efficiency, energy efficiency and natural resource utilisation, respectively, this eligible category will contribute to SDG 13 and KPJ's capacity to respond to climate change-related hazards and health risks, and to recover from and adapt to climate-related shocks and stresses (targets 13.1 and 13.3).</p> <div data-bbox="954 1406 1302 1682"> <div> <p>TARGET 7-2</p>  <p>INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY</p> </div> <div> <p>TARGET 13-1</p>  <p>STRENGTHEN RESILIENCE AND ADAPTIVE CAPACITY TO CLIMATE RELATED DISASTERS</p> </div> </div> <p>(Only SDG target level icons related to targets 7.2 and 13.1 which have not appeared under other project categories are depicted above.)</p> |

The Eligible Categories align with KPJ's sustainability commitments and the main ESG topics of the healthcare sector, in particular, the gaps in healthcare accessibility, affordability, and quality, as

well as healthcare's climate change impact and climate change preparedness. Collectively, the subcategories under the "Access to Essential Services" can contribute significantly to improving the quality of care and health outcomes by increasing access to quality and inclusive healthcare, as well as facilitating more integrated care that is organised around the wellness and medical needs of people and communities. MARC Ratings notes that a significant proportion of projects under this category will reside outside the four walls of the hospital which is coherent with KPJ's long-standing mission of improving the health of the people and the communities it serves and becoming more flexible and responsive to individual needs. Some of the projects will make concrete contributions to improving primary care access, which is increasingly central to the achievement of UHC, a key national and global health target.

The green project categories, meanwhile, will support KPJ's broader environmental stewardship goals and programmes with regard to strengthening climate resiliency and reducing its environmental footprint. Collectively, they address most of the domains of environmentally sustainable healthcare facilities including sustainable buildings, water conservation, energy efficiency and waste management.

IDENTIFICATION AND MITIGATION OF ENVIRONMENTAL AND SOCIAL RISKS

MARC Ratings' assessment of the environmental and social (E&S) risks associated with the Use of Proceeds categories is largely based on a high-level review of available information in the public domain, which includes sustainability-related reporting provided by KPJ.

Patient satisfaction and service quality issues

KPJ has established a clinical governance framework which allows a coherent and systematic approach to be taken to achieve safe and reliable patient-centred care. An integrated component within KPJ's corporate governance system, the framework is comprised of policies, processes, and monitoring and improvement mechanisms that promote individual and collective responsibility among all organisational members for the safety and quality of clinical care. To provide assurance to patients, authorities and other stakeholders of compliance with best-practice standards and its commitment to continual improvement of healthcare quality, KPJ seeks accreditation for its facilities from the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI). To date, 19 and four of KPJ's hospitals have been accredited by MSQH and JCI, respectively. In 2021, nine of KPJ's hospitals received SIRIM Customer Service Management certification. The Group also employs Service Quality Management (SQM) audits to ensure compliance with best-in-class practices.

Patient Safety and Clinical Risk Management

Safety and quality systems such as the clinical dashboard introduced in mid-2020 to monitor clinical quality indicators are integrated with governance processes to enable KPJ hospitals to actively manage and improve the safety and quality of healthcare for patients. The apex clinical committee overseeing KPJ's Clinical Governance Framework, KPJ's Medical Advisory Committee has oversight responsibility for policies, guidelines and evidence-based best practices related to improving clinical governance, clinical compliance, performance and patient safety outcomes as well as new services. KPJ reports improvement in compliance with the Malaysian Patient Safety Goals (MPSG), a benchmark for safe healthcare delivery, and that its hospitals' clinical incident rates are well within MOH and international benchmarks in its 2021 Sustainability Report.

Environmental, Health and Safety (EHS) Compliance

KPJ's hospitals adhere to the ISO45001:2018 Occupational Health and Safety Management System (OSHMS) Standard. Hospital accreditation provides continuing incentive to improve occupational health and safety (OHS) performance. The integrated management systems of 18 of its hospitals are certified to ISO 9001:2015 for quality management, ISO 14001 for environmental management, ISO 45001:2018 for occupational health and safety, and ISO 22000:2018 for food safety

management. All KPJ's employees, vendors and suppliers are required to abide by the Group's health and safety standards pursuant to its Safety, Health and Environment (SHE) policy. MARC Ratings considers the relevant EHS risks associated with the construction and refurbishment of healthcare facilities to be addressed through KPJ Group's responsible sourcing procedures. KPJ's suppliers are required to observe all regulations that apply to their industry in accordance with national laws and practices. KPJ's Supplier Code of Conduct sets out specific standards all suppliers are expected to meet to ensure the Group's sustainability objectives with respect to environmental management, responsible use of resources, workers and users' health and safety, human and labour rights as well as employment conditions are addressed throughout its supply chain. KPJ monitors supplier compliance through annual compliance confirmations. An area for improvement would be to evaluate, monitor, or control supplier performance on environmental and social issues more proactively.

Data and privacy

Digitalisation projects help increase efficiency by making it easier for patients' medical records to be accessed and shared but also create additional opportunities for new data security threats. KPJ reports¹ that, going beyond the requirements of the Personal Data Protection Act 2010, it has incorporated various security and privacy standards and protocols as defences against data breaches and cybersecurity attacks to ensure all data is secure within its private Cloud and on the Group's computers. KPJ Group's dedicated Security Operation Centre monitors all cybersecurity threats and attack attempts on a 24/7 basis. Regular vulnerability assessments are also a component of KPJ's security strategy. Such assessments help identify potential risk elements and eliminate them to prevent costly data breaches and their detrimental impacts. On a related note, KPJ is making preparations to implement the ISO/IEC 27001, an international standard to manage the security of information assets.

Procurement risks

Suppliers are required to comply with all applicable anti-corruption and bribery laws, including the Malaysian Anti-Corruption Commission Act 2009. KPJ is generally prioritising local procurement to insulate its business from the potential risks and challenges associated with procuring supplies abroad. Local procurement will benefit the socio-economic development of the local community and help to reduce transportation's contribution to the group's carbon footprint.

On the whole, MARC Ratings believes that KPJ Group has adequate processes and capacity to manage and respond to key E&S risks associated with the Use of Proceeds categories.

Overall Impact Significance

Overall, the Use of Proceeds categories under the SSF are expected to provide highly impactful environmental and social benefits and advance the targeted SDGs. The Eligible Categories have the potential to provide clear social and environmental benefits including improved capacity for the provision of healthcare services, enhanced health, employment generation, socioeconomic advancement and empowerment, and broader economic outcomes.

| | | |
|-------------------------------------|---------------------------|---|
| <input checked="" type="checkbox"/> | Very Significant | This level of impact significance is assigned where underlying projects are expected to generate very visible positive ground level impact. Projects at this level support the realisation of long-term integrated visions of sustainable development that are consistent with global sustainability goals, as well as national sustainable development goals and priorities. |
| <input type="checkbox"/> | Significant | This level of impact significance is assigned where underlying projects are expected to generate a visible positive ground level impact. Projects at this level have the potential to facilitate adjustments towards a more sustainable development trajectory and to meaningfully advance national level sustainable development goals. |
| <input type="checkbox"/> | Fairly Significant | This level of impact significance is assigned where underlying projects are expected to generate a ground level impact which, although at a lower magnitude than that expected for higher assessment levels, is still considered noteworthy. |
| <input type="checkbox"/> | Marginal | This level of impact significance is assigned where underlying projects are expected to generate a positive but limited ground level impact. |
| <input type="checkbox"/> | Not Significant | This level of impact significance is assigned where underlying projects are expected to have negligible ground level impact. |

02 ALIGNMENT WITH ASEAN STANDARDS, ICMA PRINCIPLES AND SRI SUKUK FRAMEWORK



Utilisation of Proceeds

Funds raised by issuance of Sustainability Sukuk Wakalah will be used to fund Eligible Assets falling within Eligible Categories that are aligned with the green and/or social project categories recognised by the ASEAN Standards and SRI Sukuk Framework. The SSF also maps the Eligible Categories to the relevant SDGs, specifically 3, 4, 5, 6, 7, 8, 9, 10, 12, and 13. The Eligible Categories may be extended in the future provided such additional categories are in alignment with the ASEAN Standards and SC's SRI Sukuk Framework.

KPJ has defined environmental and social objectives for its Use of Proceeds categories, which align with the issuer's sustainability strategy and material ESG topics for the issuer's industry. The rationale for issuing the sukuk is also clearly described by the issuer.

KPJ expects to allocate the net sukuk proceeds as follows:

| | % of allocated total net proceeds |
|--|-----------------------------------|
| New projects committed to and financed after issue date | 29% |
| Existing projects financed before issue date | 40% |
| Projects committed to prior to issue date but will only be financed after issue date | 31% |

A look-back period will not be applied to refinanced Eligible Projects which are estimated to constitute 40% of the allocation of net sukuk proceeds. KPJ has committed to provide transparency on the share of proceeds used for financing and refinancing purposes in its allocation reporting.



Project Evaluation and Selection

The process for project evaluation and selection is outlined in the SSF. Eligibility Criteria for Eligible Asset selection and exclusion have been clearly defined by KPJ for a majority of Eligible Assets. In addition to fossil fuel-related projects or investments and activities that are ineligible under the ASEAN Standards, net proceeds will not be used to fund business activities, products and services explicitly identified in the SSF as non-Shariah compliant and excluded aesthetic services listed in the SSF. Mixed Activities businesses (which consist of both Shariah-compliant and Shariah non-compliant businesses) may be funded under the SSF provided that the revenue generated from non-Shariah-compliant activities is below 33% of total revenue of the company.

The SWC, a cross-functional working group, will review potential Eligible Assets and verify the eligibility of the Eligible Assets in accordance with the Eligibility Criteria set out in the SSF. Chaired by President and Managing Director (PMD), membership of the SWC is composed of the Chief Corporate Officer (alternate Chair), Transformation Management Office, Heads of Risk Management and Compliance, respectively, Asset & Facilities Management Service, Chief Integrity Officer, as well as representation from Regional CEOs, Talent Management, and the offices of the Chief

Commercial Officer and Chief Operations Officer. Significant Eligible Assets will require the approval of KPJ's investment committee or its board of directors (BoD). As part of its internal control process, KPJ is in the midst of developing policies to govern the approval authorities and authorisation limits for the utilisation of proceeds in respect of Eligible Assets.

The SWC is responsible for monitoring the Eligible Assets portfolio, the eligibility of specific Eligible Assets, as well as potential ESG issues and/or concerns associated with funded projects throughout the life of the transaction. The SWC will be responsible for replacing an Eligible Asset if it no longer meets the eligibility criteria. If any such Eligible Asset is no longer eligible, KPJ Group will replace it with another Eligible Asset in accordance with the process for project evaluation and selection outlined in the SSF. The SWC meets once a month and reports directly to the PMD on the utilisation of the proceeds for Eligible Assets, subsequently to the BOD on a quarterly basis.



Management of
Proceeds

KPJ Group's Finance Division will track its sukuk proceeds internally. Pending full allocation, KPJ will hold its unallocated proceeds in cash, cash equivalents and/or other Shariah-compliant marketable instruments as per its liquidity policy, subject further to the terms and conditions of the Sukuk Wakalah Programme. If an Eligible Asset ceases to comply with the SSF, KPJ has committed to reallocate proceeds to new Eligible Assets that are compliant with the SSF as soon as reasonably practicable. MARC Ratings assesses this process to be aligned with market practices. KPJ has committed to provide information on the balance of the unallocated net proceeds and where such unallocated and/or unutilised proceeds are placed or invested pending utilisation in its allocation reporting.



Reporting

KPJ commits to providing allocation and impact reporting in a Sustainability Sukuk Report which will be made available to the public on its corporate website annually. Reporting inclusions in the Sustainability Sukuk Report include:

1. Use of Proceeds Allocation:

- a list of Eligible Assets under the respective project categories funded or to be funded by the sukuk proceeds and the description thereof;
- aggregate total amount of sukuk proceeds allocated and utilised for each project category;
- removal or substitution of Eligible Assets;
- portion of financing and refinancing;
- remaining balance of the unallocated and/or unutilised sukuk proceeds and where such unallocated and/or unutilised amount is placed or invested pending utilisation; and
- confirmation that the utilisation of sukuk proceeds conforms to the SSF.

2. Impact:

Impact reporting on the Eligible Assets based on a range of social and/or environmental indicators for Eligible Assets set out in the "Impact Reporting" section of the SSF.

This process is in line with market practices. With regard to impact reporting, MARC Ratings views positively KPJ's intention to provide

relevant and quantifiable impact metrics. The reporting process and commitments appear to be good and they are formalised in the SSF. Additionally, a board committee, KPJ's Risk & Governance Committee (RGC) has been given the responsibility for monitoring the Group's sustainability performance, its sustainability reporting and disclosures.

In summary, the proceeds are intended to be used by KPJ Group for the financing of a portfolio of Eligible Assets defined, selected, managed and reported on, in accordance with the SSF. MARC Ratings is of the opinion that the SSF, in turn, aligns with the four common core components of the ASEAN Standards, ICMA Principles and SC's SRI Sukuk Framework (Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting).

Overall Assessment

| | Clarity of Issuance Process and Disclosure | Total Score |
|-------------------------------------|--|----------------|
| <input checked="" type="checkbox"/> | High | 10- 12 points |
| <input type="checkbox"/> | Good | 7 -9 points |
| <input type="checkbox"/> | Satisfactory | 4 – 6 points |
| <input type="checkbox"/> | Low | Below 4 points |

Equal weighting is given to each of the four principles in arriving at the total score which is then expressed on the above four-point descriptive scale which ranges from High to Low.

| Assessment Grade | High | Good | Satisfactory | Low |
|------------------|------|------|--------------|-----|
| | 3 | 2 | 1 | 0 |

03 ANALYSIS OF SUSTAINABILITY PERFORMANCE

Sustainability to KPJ is about long-term value creation within the triple Economic, Environmental, and Social or EES context. KPJ recognises that responsibly balancing its economic ambitions with social and environmental considerations is vital to delivering its core functions in a sustainable way and creating long-term value for its stakeholders. Since 2016, KPJ has been elevating and incorporating sustainability within its overall strategy and operations to drive sustainable business growth that contributes to the socioeconomic well-being of communities and the nation. KPJ Group has since aligned business sustainability with sustainable development by embedding SDGs into its business goals. KPJ has drawn up a Three-Year Sustainability Roadmap (2023 through 2025) with a total of 29 enhanced and new ESG initiatives aimed at promoting healthy communities and holistic care of patients; fostering its people, protecting the environment and upholding good governance.

KPJ's sustainability governance structure ensures sufficient backing from key decision-makers to develop and sustain the Group's sustainability efforts. The membership of its SWC cuts across business operations and support functions to drive genuine engagement on sustainability issues and support the PMD in steering the Group towards a triple bottom line. Meanwhile, KPJ's Transformation Management Office oversees the Group's sustainability initiatives and performance on corresponding targets while its board-level RGC oversees the overall risk management and governance process including EES risks within the Group.

In the Social domain, KPJ's strategic priorities for 2022 through 2026 align with health system objectives of enhancing access, efficiency and quality. KPJ is focusing its efforts on providing access to quality and inclusive healthcare while delivering sustainable business growth. Efficiency wise, KPJ is also looking to optimise its utilisation of healthcare resources through a hub-and-spoke approach which will see patients routed to the main campus or hub for more intensive medical interventions by ACCs and outpatient clinics or smaller satellite hospitals in the case of lesser populated regions. In addition to helping to connect patients to the appropriate point of care, the hub-and-spoke model will also permit the bulk of healthcare needs of the populace to be addressed locally in less costly care settings. Cost optimisation strategies are also a focus in 2022; KPJ aims to curtail supply-related purchasing costs through increased centralised spending and improved inventory management.

Having pivoted to meet new demands brought on by the COVID-19 pandemic, providing a strong and robust continuum of care -- from prevention, raising awareness, diagnosis and treatment, to post-treatment support - remains a topmost priority of the Group. This is in line with its commitment to improve the health of the people and communities through and beyond the pandemic. Apart from KPJ's regular ESG reporting, this commitment is reflected in the SSF, in particular the new and/or existing social projects that are outlined in the "Access to Essential Services" Use of Proceeds categories and most notably in the support extended by KPJ to the Malaysian Government in implementing the latter's COVID-19 response. Since the beginning of the pandemic, KPJ has supported the public sector hospitals by assisting in the treatment of MOH-decanted non-COVID-19 patients and decanted COVID-19 patients subsequently as well, and has actively participated in the national vaccination programme. KPJ's 17 KWAN and seven mobile clinics across Malaysia are an example of its equitable access strategy in action.

Additionally, through its presence in key components of the healthcare ecosystem, KPJ contributes to strengthening the health system through addressing gaps in wellness and healthcare needs, improving access to quality healthcare as well as building the future healthcare workforce. KPJ is also helping to drive the accessibility of affordable healthcare for all by collaborating with the government and healthcare insurers and non-government organisations (NGOs) to make healthcare affordable for low-

and middle-income families, including vaccines, diagnostic tests, pharmaceuticals, supplements and family planning. Technology is expected to play an important role in KPJ's model of integrated patient-centred care in which the pathways of care are designed around people and their needs, and care is provided when and where it is needed. Technology innovation will be prioritised by KPJ to deliver high quality patient-centric healthcare services and to continuously improve clinical outcomes.

Having made formalised commitments on managing the environmental impacts of its healthcare operations, KPJ monitors environmental impacts of its activities and establishes measurable objectives and targets aimed at improving its environmental performance. It publishes quantitative environmental performance data on the Group's 19 MSQH-accredited hospitals in its annual sustainability report. Each KPJ hospital has its own Safety, Health and Environment (SHE) committee which is responsible for oversight of all SHE matters within the hospital and ensures compliance with the Group's SHE policy on energy and water consumption, as well as conventional and hazardous waste disposal, among others. To make its operations more environmentally sustainable, KPJ is looking into its energy and water use, and waste streams. A wide range of green projects in three main areas, namely energy, waste and water, are listed as Eligible Assets under the SSF. KPJ measures and monitors energy, water and printing cost per patient, and reports this to the BOD and shareholders. The reduction of operating cost through conservation and waste minimisation will help KPJ become a better steward both financially and environmentally.

KPJ is incorporating climate-related risks into its risk management framework in 2022 and developing a climate change adaptation plan. KPJ's climate action includes reducing GHG emissions, reducing energy and water use, reducing resource use such as single-use plastics where it is safe to do so, increasing recycling and promoting sustainable development and responsible procurement. For 2022, it is targeting to reduce 5% of its GHG emissions and has indicated that it is exploring sustainable energy sources in managing the energy transition to cleaner energy. KPJ has a goal to achieve net zero emissions by 2050 and plans to draw up a detailed roadmap to reach Net Zero. Most of the key environmental sustainability initiatives that will support KPJ hospitals in becoming more climate-resilient and environmentally sustainable are reflected in its comprehensive SSF.

KPJ's sustainability reporting aligns with the Global Reporting Initiative (GRI) Standards and closely adheres the guidelines of Bursa Malaysia's Sustainability Reporting Guide and FTSE4Good Bursa Malaysia Index criteria. MARC Ratings views positively KPJ's intention to publish its sustainability targets and commitments in its 2022 annual sustainability report to drive continued engagement and commitment to the sustainability goals throughout the organisation. KPJ also intends to enhance the transparency of its sustainability-related disclosures and to align the same with global reporting standards, including Task Force on Climate-related Financial Disclosures (TCFD) requirements.




Overall, MARC Ratings believes that KPJ's sustainability performance to date provides reasonably high assurance of its sustainability implementation capacity and performance.

Sustainability Performance Assessment

| | | |
|-------------------------------------|------------------------------------|--|
| <input type="checkbox"/> | Excellent/Highest Assurance | The issuer positions itself as a sustainability leader in its industry, ranking in the "top tiers" of performance across multiple categories of engagement, ranging from supply chain management to environmental performance. Sustainability-related risks and opportunities are integrated with the business strategy. Well-defined sustainability policies and practices are augmented by strong accountability systems which allow for a benchmarking of the issuer's performance against stated objectives and the incorporation of external assurance in its sustainability reporting framework. |
| <input checked="" type="checkbox"/> | Very Good/High | The issuer has integrated risk-based sustainability considerations in its operations and has a robust process for assessing significant sustainability risks exposures to minimise adverse impacts on its business. The focus of the issuer's sustainability performance monitoring and evaluation is on managing risk exposures to minimise downside risk. Globally-recognised best practice reporting frameworks guide the issuer's sustainability reporting. |
| <input type="checkbox"/> | Good/Medium | The issuer has adopted a CSR-centric sustainability strategy that prioritises stakeholder engagement and goodwill building. Sustainability is a small part of the issuer's business strategy, nonetheless there is evidence to suggest that its sustainability performance has progressed beyond maintaining regulatory compliance. The issuer has implemented general sustainability reporting to investors. |
| <input type="checkbox"/> | Fair/Basic | The issuer has a policy of regulatory compliance but has yet to incorporate sustainability considerations into its business operations. At this performance level, the goal of sustainability management is to achieve and maintain compliance with health, safety, and environmental requirements mandated by government laws and regulations. |
| <input type="checkbox"/> | Poor/Weak | The issuer has a record of poor sustainability performance or operates in unsustainable industries. |

MARC Ratings assessment of the issuer's sustainability implementation capabilities and performance is expressed on a five-level descriptive scale that runs from "Excellent" to "Poor" which corresponds to five levels of assurance (Highest, High, Medium, Basic and Weak). The assurance level can be interpreted as a measure of MARC Ratings' confidence in the issuer's continuing performance of its sustainability obligations in line with marketplace expectations and in compliance with its sustainability framework for the bonds or sukuk issuance.

04 RATING SCALE

| GRADE | DESCRIPTION |
|--|---|
|  | <p>Bonds assessed at this level are judged to offer very significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support high standards of accountability and transparency.</p> |
|  | <p>Bonds assessed at this level are judged to offer significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support good standards of accountability and transparency.</p> |
|  | <p>Bonds assessed at this level are judged to offer fairly significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support satisfactory standards of accountability and transparency. Minor shortcomings exist in the areas assessed but none of major concern.</p> |

MARC RATINGS BERHAD

MARC Ratings Berhad was incorporated as a public limited company to undertake the business of providing credit rating services, as well as economic and fixed-income research publications, on behalf of the MARC group of companies.

Effective January 1, 2022, Malaysian Rating Corporation Berhad (MARC) transferred its regulatory license as a credit rating agency with the SC and the Bank Negara Malaysia-accredited External Credit Assessment Institution (ECAI) status under Basel II to its wholly-owned subsidiary MARC Ratings. MARC Ratings continues to adopt practices and procedures for Domestic Credit Rating Agencies based on the guidance on the Code of Conduct Fundamentals provided by the International Organisation of Securities Commissions (IOSCO) and the Association of Credit Rating Agencies in Asia (ACRAA). MARC Ratings continues to consult international best practices and the International Capital Market Association's Guidelines for Green, Social and Sustainability Bonds External Reviews in its conduct of external reviews, particularly in relation to the organisation and content of external reviews.

Following a series of outreach and external reviewer capacity building initiatives jointly undertaken by domestic market regulators and World Bank Group, MARC published its proposed criteria for rating green, social or sustainability bonds in April 2018. The version that was adopted in July 2018 after public consultation can be accessed on MARC's corporate website at https://www.marc.com.my/images/Rating_Methodologies/201912_/Impact-Bonds-Assessment-Criteria-201912-newlogo-.pdf. As explained in the criteria, the analytical framework consists of three components that provide insights to the green, social and sustainability credentials of green, social and sustainability bonds: (1) an assessment of environmental and/or social benefits of the underlying funded project(s); (2) an assessment of compliance with internationally recognised principles and market standards for the evaluation of such bonds; and (3) an evaluation of the issuer's sustainability strategy and performance. Bonds which meet the minimum thresholds in each of the three analytical components will be rated Gold, Silver or Bronze.

For more information, visit <https://www.marc.com.my/> or contact us at ratings@marc.com.my.

Review of Compliance with ASEAN Standards 2018 and SRI Sukuk Framework 2022

Point Zone (M) Sdn Bhd Sustainability Sukuk Framework (SSF)

Key Additional Features to complied with:

- ☒ The proceeds allocated for the Project must not be used for ineligible projects specified by the ASEAN GBS (i.e. fossil fuel power generation projects) as well as the ASEAN SBS (i.e. projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry).
- ☒ Continuous accessibility of information on use of proceeds, process for project evaluation and selection, and management of proceeds to investors throughout the tenure of the sukuk.
- ☒ Periodic reporting on the allocation of the sukuk proceeds.
- ☒ The external reviewer's credentials and scope of review conducted to be made publicly accessible from a website designated by the Issuer throughout the tenure of the sukuk.

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|---|--|----------------------------------|
| Issuer <u>ASEAN Standards</u> 3.1 <i>The issuer must be an ASEAN issuer, or the eligible green and/or social project(s) must be in an ASEAN country.</i> 7.04 <i>An issuer who wishes to issue an SRI sukuk must establish policies and processes to ensure compliance with the SRI Sukuk Framework as set out in these Guidelines.</i> | <i>Point Zone (M) Sdn Bhd is an ASEAN issuer.</i> <i>The issuer and guarantor, KPJ Healthcare Berhad, will establish policies and processes as needed to ensure compliance with the SRI Sukuk Framework.</i> | |
| Use of Proceeds <u>ASEAN Standards</u> 4.1 4.1.1 <i>The utilisation of issue proceeds must be described in the documentation for issuance.</i> 4.1.2 <i>The Issuer must disclose the following information: The categories of eligible Green and/or Social Projects to which the issue proceeds will be allocated; and/or the information on specific Green and/or Social Projects in the case where the issuer has identified the specific Green and/or Social Projects to which the issue proceeds will be allocated.</i> 4.1.3 <i>All designated Green and/or Social Projects must provide clear environmental/social benefits, which will be assessed and, where feasible, quantified by the Issuer.</i> | <i>The utilisation of issue proceeds is clearly described in the SSF.</i> <i>Complied. The SSF lists eligible categories which align to two social project categories and five green project categories recognised by the ASEAN Standards. Refer to assessment of compliance with the SRI Sukuk Framework 7.08.</i> <i>The use of proceeds project categories set out in the SSF are recognised as impactful by the ASEAN Standards.</i> | |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|--|--|
| <p><i>Use of Proceeds cont'd</i></p> <p>4.1.4 In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that Issuers provide an estimate of the share of financing and refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced and, to the extent relevant, the expected look-back period for refinanced projects.</p> <p><u>SRI Sukuk Framework</u></p> <p>7.10 An issuer must ensure that the proceeds raised from the issuance of the SRI sukuk are utilised only for the purpose of funding any activities or transactions relating to the Eligible SRI projects.</p> <p>7.11 In relation to the activities or transactions that involve acquisition of a company which carries on the Eligible SRI projects, an issuer must ensure that the company that is to be acquired does not carry on any other business or projects except for the Eligible SRI projects.</p> | <p>The issuer has committed to provide information on the allocation of proceeds to new financing and refinancing. The issuer has provided an estimate of financing and refinancing but not the expected look-back period for refinanced Eligible Assets.</p> <p>In relation to 7.10 and 7.11, the proceeds (of Sukuk) will not be used to fund new or existing assets, businesses, projects and/or products falling outside of the Eligible Assets.</p> | |
| <p>Process for Project Evaluation and Selection <u>ASEAN Standards</u></p> <p>4.2 4.2.1 The issuer must clearly communicate to investors:</p> <p>(i) The environmental/social sustainability objectives;</p> <p>(ii) The process by which the Issuer determines how the projects fit within the identified eligible project categories; and</p> <p>(iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social (E&S) risks associated with the selected projects.</p> | <p>The Eligible Categories are framed in the context of SDGs with specific E&S objectives.</p> <p>The SSF details an internal process by which Eligible Assets are assessed and selected to ensure they fit within the identified eligible project categories.</p> <p>The eligibility criteria are clearly communicated in the SSF. The issuer has provided exclusion criteria or description of any other process applied to identify and manage potentially material E&S risks (associated with the selected projects) in the SSF.</p> | <p>Our review of the issuer's E&S risk management measures suggest that processes in place to identify and manage potentially material E&S risks associated with selected projects are adequate overall.</p> |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|--|--|
| <p><i>Process for Project Evaluation and Selection cont'd</i></p> <p>4.2.2 <i>The Issuer must establish the process for project evaluation and selection prior to the issuance of the Bonds and disclose the same to investors in the documentation for the issuance of the Bonds.</i></p> <p>4.2.3 <i>Issuers are encouraged to position this information within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental and social sustainability. Issuers are also encouraged to disclose any green and social standards or certifications referenced in project selection.</i></p> <p>4.2.4 <i>It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.</i></p> <p>4.2.5 <i>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 Bonds:</i> <i>(i) The process for project evaluation;</i> <i>(ii) The use of proceeds; and</i> <i>(iii) External review report on the process (if any)</i></p> <p><u>SRI Sukuk Framework</u></p> <p>Eligible Projects 7.07 <i>An eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</i> <i>(a) Preserving and protecting the environment and natural resources;</i> <i>(b) Conserving the use of energy;</i> <i>(c) Promoting the use of renewable energy;</i> <i>(d) Reducing GHG emission;</i> <i>(e) Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes especially but not exclusively for a target population; or</i> <i>(f) Improving the quality of life of the society.</i></p> | <p><i>The issuer has described in the SSF an internal process for project evaluation and selection which involves a cross-functional SWC.</i></p> <p><i>The issuer has positioned this information in the context of KPJ's overarching sustainability goals and focus SDGs.</i></p> <p><i>The issuer has appointed MARC Ratings as external reviewer for its SSF.</i></p> <p><i>The issuer has committed to make the required information available on its corporate website at https://www.kpjhealth.com.my.</i></p> <p><i>Eligible projects as defined by the SSF will achieve any one or a combination of objectives (a) through (f) set out in paragraph 7.07 of the SRI Sukuk Framework.</i></p> | <p><i>The SSF specifies third-party certifications to be used to qualify Eligible Assets in the 'Green Buildings' Use of Proceeds category.</i></p> <p><i>Review of the SSF.</i></p> <p><i>The SSF will provide information on the process for project evaluation, and it will issue a progress report on an annual basis (Sustainability Sukuk Report) that will provide information on the allocation and impacts throughout the tenure of the Sukuk. MARC Ratings' external review assessment will also be made available on KPJ's corporate website.</i></p> |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|--|----------------------------------|
| <p>7.08 The Eligible SRI projects may include but are not limited to the following:</p> <p>(a) Green projects that relate to, among others – renewable energy; energy efficiency; pollution prevention and control; environmentally sustainable management of living natural resources and land use; clean transportation; sustainable water and wastewater management; climate change adaptation; eco-efficient and/or circular economy adapted products; and green buildings which meet regional, national, or internationally recognised standards or certifications.</p> <p>(b) Social projects that relate to, among others – affordable basic infrastructure; access to essential services; affordable housing; employment generation including the potential effect of SME financing and microfinance; food security; and socioeconomic advancement and empowerment.</p> <p>(c) Projects which are a combination of Green and Social projects as described in (a) and (b) above; and</p> <p>(d) Waqf projects that relate to the development of waqf properties or assets.</p> | <p>Eligible project categories detailed in the SSF align with eligible SRI project categories in paragraph 7.08 (a) and (b) of the SRI Sukuk Framework.</p> <p>Eligible social project categories include: Access to essential services; and Socioeconomic advancement and empowerment while eligible green project categories include:</p> <ul style="list-style-type: none"> • Green buildings • Energy efficiency • Sustainable water and wastewater management • Pollution prevention and control • Climate change adaptation | |
| <p>7.12 An issuer must establish internal processes for evaluation and selection of the Eligible SRI projects as identified in paragraph 7.08 above.</p> | <p>The issuer has described in the SSF an internal process for project evaluation and selection which involves a cross-functional SWC.</p> | |
| <p>Management of Proceeds <u>ASEAN Standards</u></p> <p>4.3 4.3.1 Prior to the issuance of the Bonds, the Issuer must disclose to investors in the documentation for the issuance of the Bonds, the process for managing the net proceeds from the Bonds.</p> <p>4.3.2 The net proceeds of the Bonds, or an amount equal to these net proceeds, must be credited into a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process.</p> | <p>Prior to issuance, the issuer will make the SSF available to investors. The SSF describes the process for managing the net proceeds from the Sukuk.</p> <p>The net proceeds from the issue of Sukuk will be internally tracked. The balance of unallocated net proceeds will be held in cash, cash equivalents and/or other Shariah-compliant marketable instruments in accordance with KPJ Group's liquidity policy.</p> | |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|--|---|
| <p><i>Management of Proceeds cont'd</i></p> <p><i>The total amount deployed from the net proceeds for the eligible projects need not occur simultaneously.</i></p> <p>4.3.3 <i>As long as the Bonds are outstanding, the balance of the tracked net proceeds must be periodically adjusted to match allocations to eligible projects made during that period.</i></p> <p>4.3.4 <i>The Issuer must also disclose to investors in the documentation for the issuance of the Bonds the intended types of temporary placement for the balance of unallocated net proceeds.</i></p> <p>4.3.5 <i>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 Bonds proceeds.</i></p> <p>4.3.6 <i>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 the issuance of the Bonds.</i></p> | <p><i>KPJ will allocate an amount equivalent to the net proceeds to eligible projects. The disclosure commitments and processes to manage and track proceeds ensure the requirement for periodic reconciliation of tracked net proceeds to allocations to eligible projects will be met over the lifetime of the Sukuk.</i></p> <p><i>The SSF discloses the intended types of temporary placement for the balance of unallocated net proceeds.</i></p> <p><i>The appointment of an auditor or other third party to verify on an annual basis the proceeds allocated and the remaining balance is encouraged by MARC Ratings.</i></p> <p><i>[There is no provision for the appointment of the auditor or third party to verify the Issuer's management of proceeds in SSF.]</i></p> | <p><i>The disclosure and processes to manage proceeds are generally in line with market practice.</i></p> |
| <p><u>SRI Sukuk Framework</u></p> <p>7.13 <i>An issuer must ensure that the proceeds allocated for the Eligible SRI projects are credited into a designated account or otherwise tracked in an appropriate manner.</i></p> | <p><i>KPJ will monitor the allocation of the Sukuk proceeds and the Eligible Assets portfolio internally in an appropriate manner.</i></p> | |
| <p><u>Reporting</u></p> <p><u>ASEAN Standards</u></p> <p>4.4 4.4.1 <i>Issuers must report to investors at least on an annual basis and are encouraged to make more frequent reporting on the use of proceeds until full allocation, and on a timely basis in the case of material developments.</i></p> | <p><i>KPJ intends to provide annual reporting to the sukukholders via its Sustainability Sukuk Report on the following, among others:</i></p> <ul style="list-style-type: none"> • <i>a list of Eligible Assets under the respective project</i> | |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|--|----------------------------------|
| <p><i>Reporting cont'd</i></p> <p><i>The annual report should include a list of the projects to which the Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.</i></p> | <p><i>categories funded or to be funded by the Sukuk proceeds and the description thereof;</i></p> <ul style="list-style-type: none"> <i>• aggregate total amount of Sukuk proceeds allocated and utilised for each project category;</i> <i>• removal or substitution of Eligible Assets;</i> <i>• portion of financing and refinancing;</i> <i>• remaining balance of the unallocated and/or unutilised Sukuk proceeds and where such unallocated and/or unutilised amount is placed or invested pending utilisation; and</i> <i>• confirmation that the utilisation of Sukuk proceeds conforms to the SSF.</i> | |
| <p>4.4.2</p> <p><i>Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the Issuer may present the information in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).</i></p> | <p><i>The underlying projects will be determined closer to issuance and KPJ/Issuer will present the information in generic terms or on an aggregated portfolio basis where disclosure of project level information is precluded by competition and confidentiality considerations.</i></p> | |
| <p>4.4.3</p> <p><i>It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures and disclose the key underlying methodology and/or assumptions used in the quantitative determination.</i></p> | <p><i>KPJ intends to report on a range of environmental and social impact indicators for Eligible Assets funded with the sukuk in the Sustainability Sukuk Report. An exemplary selection of potential impact indicators is provided in the SSF.</i></p> | |
| <p>4.4.4</p> <p><i>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.</i></p> | <p><i>Updates of the external review are encouraged by the ASEAN Standards but are strictly voluntary.</i></p> | |
| <p>4.4.5</p> <p><i>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 Bonds.</i></p> | <p><i>KPJ commits to publish annually and throughout the tenure of the Sukuk a Sustainability Sukuk Report on its corporate website at https://www.kpjhealth.com.my.</i></p> | |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|--|----------------------------------|
| <p><i>Reporting cont'd</i> <u>SRI Sukuk Framework</u></p> <p>7.14 An issuer must provide the following information to the sukukholders annually through a designated website:</p> <p>(a) The original amount allocated for the Eligible SRI projects;</p> <p>(b) The amount utilised for the Eligible SRI projects;</p> <p>(c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and</p> <p>(d) The list of the Eligible SRI projects in which the SRI sukuk proceeds have been allocated to and a brief description of the said Eligible SRI projects and their impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact.</p> <p>7.15 Where an issuer is unable to make available comprehensive information as specified in paragraph 7.14 above due to confidentiality agreements or competitive considerations, such issuer may provide the information in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories)</p> <p>7.16 The following information must be included:</p> <p>a) The overall SRI objectives that the issuer intends to achieve;</p> <p>b) The utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for refinancing, an issuer must provide the amount of proceeds being allocated for refinancing and which Eligible SRI projects to be refinanced;</p> <p>c) The Eligible SRI projects in which the proceeds will be allocated;</p> <p>d) The details of the Eligible SRI projects and to the extent possible,</p> <p>e) impact objectives from the Eligible SRI projects;</p> <p>f) The processes used to evaluate and select the Eligible SRI projects;</p> | <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.4.1</p> <p>KPJ is expected to provide the information on Eligible Asset level where practicable and per category otherwise.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.2.1.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.1.1 and 4.1.4.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.1.2.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.1.3</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.2.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.2.</p> | |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|--|--|
| <p>g) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects;</p> <p>h) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and</p> <p>i) A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI projects.</p> | <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.2.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.3.</p> <p>Complied.</p> | |
| <p>External Review</p> <p><u>ASEAN Standards</u></p> <p>5.1 Issuers are recommended to appoint external review providers for the bond issuances or programmes.</p> <p>5.2 The external review may be partial, covering only certain aspects of the bonds framework or full, assessing alignment with all four core components as stated in the relevant standards.</p> <p>5.3 The external review provider must have the relevant expertise and experience in the components of the Bonds which they are reviewing.</p> <p>5.4 The external review provider must also disclose their relevant credentials and expertise, and the scope of the review conducted in the external review report.</p> <p><u>SRI Sukuk Framework</u></p> <p>7.17 If an external reviewer is appointed to assess and provide report on the Eligible SRI projects or the issuer's compliance with the requirements under these Guidelines, such external reviewer's report must be made available on the designated website.</p> | <p>MARC Ratings has been engaged as independent external reviewer for the SSF.</p> <p>The review conducted by MARC Ratings is a full review and addresses alignment with all four components of the relevant standards.</p> <p>MARC Ratings is registered with the Securities Commission Malaysia as a credit rating agency and has conducted the external review according to the analytical framework in MARC Ratings' Impact Bond Assessment (IBA) methodology.</p> <p>Required disclosure of the external review provider's relevant credentials and expertise, and the scope of the review will be made in the external review report.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.4.5.</p> | <p>MARC Ratings has established a transparent score-based framework for its green, social and sustainability bond assessments analysis that is published on the agency's website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</p> |

Review of Compliance with ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines 2021

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|---|--|----------------------------------|
| <p>Use of Proceeds</p> <p><i>The utilisation of the Green/Social/Sustainability Bond proceeds should be appropriately described in the legal documentation of the security.</i></p> <p><i>All designated eligible Green and/or Social Projects should provide clear environmental and/or social benefits, which will be assessed and, where feasible, quantified by the issuer.</i></p> <p><i>In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that issuers provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced eligible Green and/or Social Projects.</i></p> | <p><i>The utilisation of issue proceeds is clearly described in the SSF.</i></p> <p><i>Each of SSF's eligible categories have been aligned with the relevant SDGs. The SSF links KPJ's sustainability strategy to its funding of sustainability initiatives related to providing access to quality and inclusive healthcare; delivering better integrated care; providing a strong and robust continuum of care that addresses community and population needs; and lowering its carbon impact while enhancing resource management.</i></p> <p><i>The issuer has estimated the share of financing vs. refinancing as 60:40.</i></p> | |
| <p>Process for Project Evaluation and Selection</p> <p><i>The following should be clearly communicated to investors:</i></p> <ul style="list-style-type: none"> <i>The environmental sustainability and/or social objectives of the eligible Green and/or Social Projects;</i> <i>The process by which the issuer determines how the projects fit within the eligible Green and/or Social Projects categories; and</i> <i>Complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).</i> | <p><i>This is clearly defined.</i></p> <p><i>The Process for Project Evaluation and Selection is disclosed in the SSF.</i></p> <p><i>The Issuer has provided information on processes by which it identifies and manages perceived social and environmental risks associated with the relevant project(s).</i></p> | |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|---|----------------------------------|
| <p>Process for Project Evaluation and Selection cont'd</p> <p>Issuers are also encouraged to:</p> <ul style="list-style-type: none"> Position the information communicated above within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental and/or sustainability. Provide information, if relevant, on the alignment of projects with official or market-based taxonomies (as applicable to Green Projects), related eligibility criteria, including if applicable, exclusion criteria; and also disclose any green and/or social standards or certifications referenced in project selection. Have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). | <p>The information communicated above is positioned within the context of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental and/or sustainability. The SSF specifies third-party certifications to be used to qualify Eligible Assets in the 'Green Buildings' Use of Proceeds category.</p> <p>KPJ has a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s).</p> | |
| <p>Management of Proceeds</p> <p>The net proceeds of the Green/Social/Sustainability Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner, and attested to by the issuer in a formal internal process linked to the issuer's lending and investment operations for eligible Green and/or Social Projects.</p> <p>So long as the Green/Social/Sustainability Bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Green and/or Social Projects made during that period.</p> <p>The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.</p> <p>It is recommended that the management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking method</p> | <p>KPJ Group's Finance Division will internally track and monitor the allocation of proceeds to Eligible Assets, the balance of unallocated proceeds and the temporary investments in which such unallocated amount is held pending utilisation. The SSF provides for the addition of Eligible Assets to the portfolio of Eligible Assets where necessary to 'ensure efficient and timely distribution and utilisation' of the sukuk proceeds.</p> <p>KPJ has disclosed that all temporary investments will be held in Shariah-compliant marketable instruments or cash and cash equivalents in accordance with KPJ Group's liquidity policy.</p> | |

| Criteria | Compliance with criteria | Remarks/Scope of Work Undertaken |
|--|---|--|
| <p><i>Management of Proceeds (cont'd)</i></p> <p><i>and the allocation of funds from the Green/Social/Sustainability Bond proceeds.</i></p> | | |
| <p>Reporting</p> <p><i>Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments.</i></p> <p><i>The annual report should include a list of the projects to which Green/Social/Sustainability Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact.</i></p> <p><i>Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, it is recommended that information be presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).</i></p> <p><i>The use of qualitative performance indicators is recommended and, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.</i></p> | <p><i>KPJ has committed to annual allocation and impact reporting for as long as the Sukuk remains outstanding</i></p> <p><i>Complied. Refer to assessment of compliance with ASEAN Standards 4.4 on Reporting.</i></p> <p><i>The underlying projects will be determined closer to issuance and KPJ/Issuer will present the information in generic terms or on an aggregated portfolio basis where disclosure of project level information is precluded by competition and confidentiality considerations.</i></p> <p><i>KPJ intends to report on a range of environmental and social impact indicators for Eligible Assets funded with the sukuk in the Sustainability Sukuk Report.</i></p> | <p><i>KPJ will publish a Sustainability Sukuk Report annually which shall contain an Allocation Reporting and Impact Reporting on the allocation and impacts of the Eligible Assets funded by the Sustainability Sukuk Wakalah proceeds. The report which will be published together with KPJ's Annual Report will be made available to the public on KPJ's corporate website throughout the tenure of the Sustainability Sukuk.</i></p> |
| <p>External Review</p> <p><i>External review providers are encouraged to disclose their credentials and relevant expertise and communicate clearly the scope of the review(s) conducted.</i></p> <p><i>Issuers should make external reviews publicly available on their website and/or through any other accessible communication channel as appropriate.</i></p> | <p><i>The disclosures will be made in MARC Ratings' external review report.</i></p> <p><i>KPJ has committed to make the external review publicly available on its website.</i></p> | |

THE UN SUSTAINABLE DEVELOPMENT GOALS

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|---|---|---|--|
|  | GOAL 1: End poverty in all its forms everywhere |  | GOAL 10: Reduce inequality within and among countries |
|  | GOAL 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture |  | GOAL 11: Make cities and human settlements inclusive, safe, resilient and sustainable |
|  | GOAL 3: Ensure healthy lives and promote well-being for all at all ages |  | GOAL 12: Ensure sustainable consumption and production patterns |
|  | GOAL 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all |  | GOAL 13: Take urgent action to combat climate change and its impacts |
|  | GOAL 5: Achieve gender equality and empower all women and girls |  | GOAL 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development |
|  | GOAL 6: Ensure availability and sustainable management of water and sanitation for all |  | GOAL 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss |
|  | GOAL 7: Ensure access to affordable, reliable, sustainable and modern energy for all |  | GOAL 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels |
|  | GOAL 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all |  | GOAL 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development |
|  | GOAL 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation | | |

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