



MARC

MARC RATINGS BERHAD

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UDA HOLDINGS BERHAD

PRE-ISSUANCE SUSTAINABILITY SUKUK FRAMEWORK
ASSESSMENT

FEBRUARY 2023



SUSTAINABILITY SUKUK
FRAMEWORK ASSESSMENT

MARC Ratings Berhad (MARC Ratings) has been engaged by UDA Holdings Berhad (Company Registration No.: 199501018305 (347508-T)) 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

UDA Holdings Berhad (UDA) (Company Registration No.: 199501018305 (347508-T)) has engaged MARC Ratings Berhad (MARC Ratings) to review its Sustainability Sukuk Framework (Framework). The Framework has been established to set the guiding principles for UDA's issuances of Islamic financing instruments (Sustainability Sukuk) for specific eligible projects. In assigning a rating under the assessment, MARC Ratings has relied on pre-issuance information provided by UDA and its associated parties as well as information gathered from the public domain.

MARC Ratings' external review consists of three (3) parts: an impact significance analysis based on UDA's Framework; an assessment of alignment with the Sustainable and Responsible Investment (SRI) Sukuk Framework of the Securities Commission Malaysia (SC), the ASEAN Green Bond Standards (GBS) and ASEAN Social Bond Standards (SBS) of the ASEAN Capital Markets Forum (ACMF); and the Green Bond Principles (GBP) and Social Bond Principles (SBP) of the International Capital Markets Association (ICMA); and an evaluation of UDA's sustainability implementation capacity and performance.

UDA intends to use the proceeds from the issuance of the Sustainability Sukuk (Sustainability Sukuk Proceeds) to finance and/or refinance, in whole or in part, new or existing eligible Shariah-compliant assets, businesses, projects and/or products (Eligible Projects) that directly support seven (7) of the 17 United Nations Sustainable Development Goals (UN SDGs), namely (UN SDGs 3, 5, 7, 8, 9, 11, and 13). These include utilisation for the operations of UDA, being the issuer, as well as of its subsidiaries provided that the utilisation is in compliance with the Framework.

All six (6) eligible categories for the Use of Proceeds identified in the Framework are recognised as aligned and impactful by the SC's SRI Sukuk Framework, the ACMF's GBS/SBS and the ICMA's GBP/SBP. The eligible categories are separated into Green and Social categories and will support achieving UN SDGs such as:

- Green Category: Green Projects (UN SDG 11); Renewable Energy, Energy Efficiency and Climate Action (UN SDGs 7, 9, 11, and 13); and Pollution Prevention and Control (UN SDGs 3, and 11)
- Social Category: Affordable Housing (UN SDG 11); Waqf (UN SDG 11); and Socioeconomics Advancement and Empowerment (UN SDGs 5, and 8).

The Framework details an internal process by which the Eligible Projects are assessed and selected. UDA has set up a Sustainability Task Force (STF) to oversee the project evaluation and selection process and ensure selected projects comply with the eligibility criteria defined under the Use of Proceeds. Members of the STF comprise representatives from various operating divisions. The STF reviews the project submission for the Group Management Committee, chaired by the President/Chief Executive Officer to endorse and supervised by the board of directors.

The Sustainability Sukuk Proceeds will be managed internally and on a portfolio basis in accordance with the Framework. To guarantee adequate and prompt allocation of the Sustainability Sukuk Proceeds, more of the Eligible Projects may, if necessary, be added to a portfolio (Portfolio). If any of the Eligible Projects ceases to comply with the Framework during the tenure of the Sustainability

Sukuk, UDA shall designate alternative projects as soon as practicable going through the same process above. UDA may hold the remaining unallocated amount in cash, cash equivalents, and/or invest in other liquid marketable instruments in accordance with its liquidity policy until the amount can be allocated to the Portfolio if the total amount in the Portfolio is less than the total outstanding amount of the Sustainability Sukuk issued.

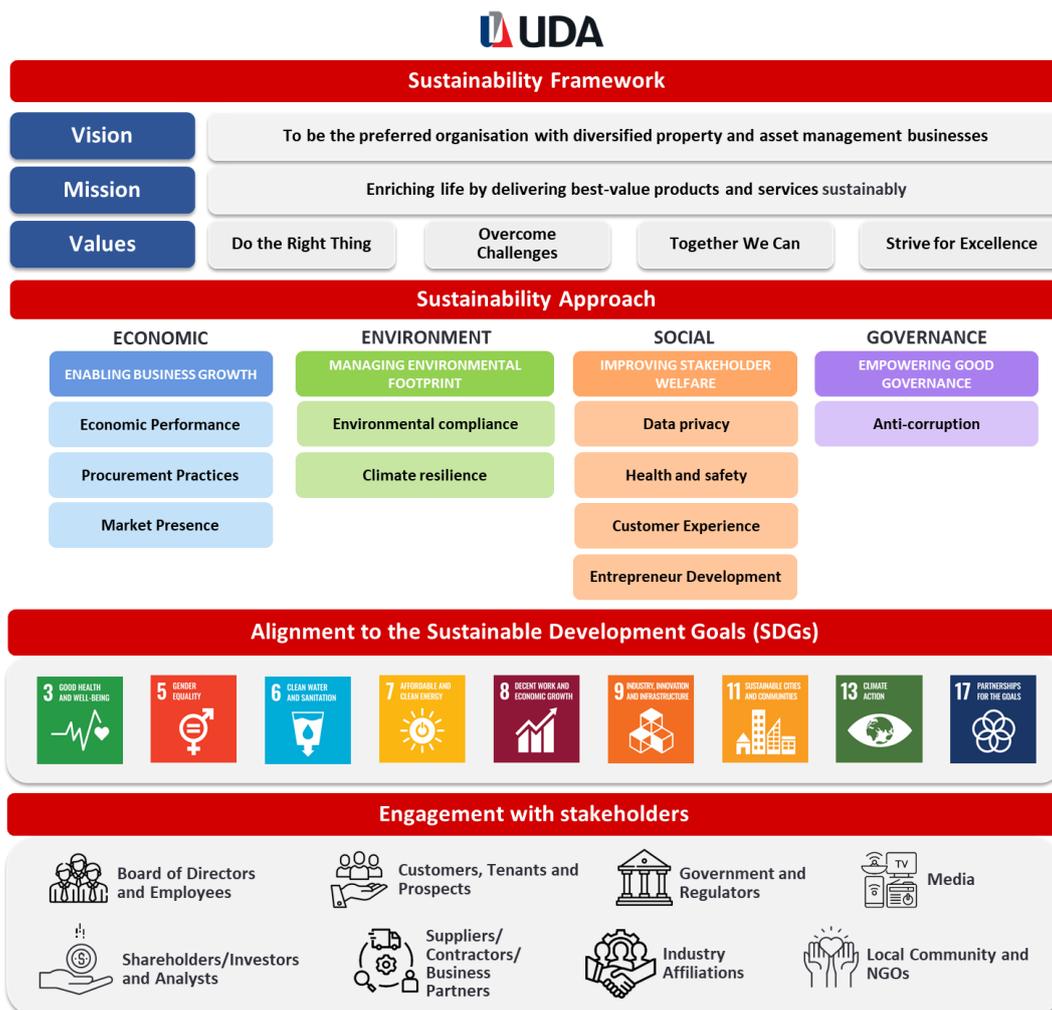
MARC Ratings considers the process for the management of proceeds to be in line with market practice. The Framework aligns UDA's post-issuance tracking and reporting on the Use of Proceeds with the SC's SRI Sukuk Framework. It provides for annual reporting of the projects to which the Sustainability Sukuk Proceeds have been allocated, the balance of unallocated proceeds and where such unutilised amount is placed or invested pending utilisation, as well as project impact indicators. Where feasible, UDA will disclose qualitative performance indicators, quantitative performance measures and the key underlying methodology and/or assumptions used.

Based on our review of the relevant documentation and assessment as per our IBA methodology, we have assigned a "Gold" assessment to the Framework. MARC Ratings also opines that the Framework is correspondingly aligned with the core components of the SC's SRI Sukuk Framework, the ACMF's GBS/SBS and the ICMA's GBP/SBP.

Introduction

The Urban Development Authority was established by the government on November 12, 1971, to embark on the advancement of the nation’s planned urban development across business, industry and housing. After 25 years, Urban Development Authority was incorporated on June 20, 1995, and became UDA Holdings Sdn Bhd, before being renamed to UDA Holdings Berhad (UDA) in 1999 and was floated as a publicly limited company on the Main Board of the Kuala Lumpur Stock Exchange (renamed Bursa Malaysia in 2004). In 2007, UDA became wholly owned by Khazanah Nasional Berhad. In 2009, Khazanah transferred all of UDA’s shares to the Minister of Finance (Incorporated). UDA had received recognition for its work through various industry awards and its growth in the industry is represented by the different segments of businesses such as Property Development, Property Investment, Hospitality, and Facilities Management.

UDA is committed to sustainability and has adopted practices in its businesses, operations, and products that support social, environmental, and economic sustainability. This includes developing green buildings, providing affordable housing, and developing waqf land. The company has developed and deployed a sustainability model that is aligned with the UN SDGs. The sustainability model guides UDA’s decision-making processes and is designed to support its mission of "Enriching life by delivering best-value products and services sustainably".



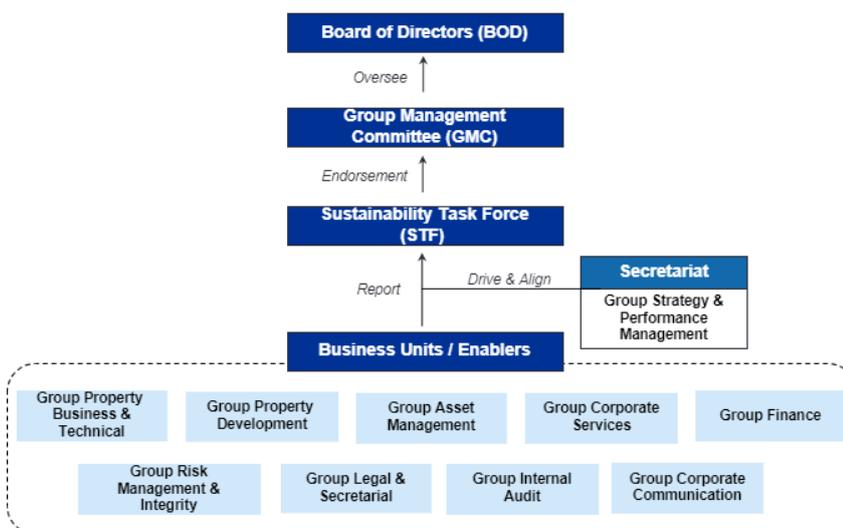
In pursuing its sustainability agenda, UDA has developed a Sustainability Sukuk Framework (Framework) to guide its issuance of Sustainability Sukuk, which are Islamic financial instruments that support sustainability efforts. The framework is based on guidelines and standards from the SC, the ACMF, and the ICMA, and covers the principles of use of proceeds, project evaluation and selection, management of proceeds, and reporting. The Framework is intended to align with the recommendations of the "Islamic Green Finance for Development, Ecosystem, and Prospect" report published by the SC and the World Bank Group, which focuses on economic growth, wealth redistribution and poverty eradication, financial and social inclusion, environmental protection, and combating climate change.

The proceeds from the issuance of Sustainability Sukuk (Sustainability Sukuk Proceeds) issued by UDA will be used to finance and/or refinance new or existing assets, businesses, projects and/or products that align with the guiding principles of the Framework (Eligible Projects). The Sustainability Sukuk Proceeds can be used for working capital, operating expenses, and other expenses related to the Eligible Projects, if they meet the eligibility criteria and do not fall under the exclusion criteria.

The process for evaluating and selecting projects for the Sustainability Sukuk Proceeds involves reviewing and evaluating proposed projects based on the eligibility criteria, evaluating the proposed projects against the Framework, submitting a recommendation for approval to the Group Management Committee chaired by the President/Chief Executive Officer (PCEO), and monitoring the portfolio of the Eligible Projects throughout the tenure of the Sustainability Sukuk. If an eligible project no longer meets the criteria, it can be replaced by going through the same process again.



Illustration of a selection process



UDA Sustainability Governance

Governance Body	Roles and Responsibilities
Board of Directors (BOD)	Responsible for sustainability and for overseeing the development and adoption of the Group Sustainability Strategy related policies and risk mitigation plans
Group Management Committee (GMC)	<ol style="list-style-type: none"> 1. Provide advice and assistance to the Board for sound decision making on sustainability issues 2. Facilitate the overall goal towards improving and enhancing the Group's sustainability performance
Sustainability Task Force (STF)	<ol style="list-style-type: none"> 1. Review sustainability roadmap, governance, sustainability strategy and action plans. 2. Review and monitor the implementation of the sustainability strategy and action plans 3. Reporting on sustainability implementation status 4. Advice on gap closure related sustainability implementation 5. Consent for sustainability related matters paperwork to be tabled at GMC for approval
Business Units/ Enablers	<ol style="list-style-type: none"> 1. To implement UDA's sustainability strategy, goals and initiatives 2. To report on their performance against targets to the Sustainability Task Force (STF).
Secretariat	<ol style="list-style-type: none"> 1. Drive coordination, consolidation and reporting of all sustainability activities across the Group. 2. Align sustainability agenda with practices on the ground

The Sustainability Sukuk Proceeds will be distributed to a portfolio of the Eligible Projects (Portfolio) that have been chosen through the evaluation and approval process described earlier. The Portfolio may be expanded if necessary to ensure timely allocation of the Sustainability Sukuk Proceeds. UDA and/or its subsidiaries from time to time (Group) will monitor how the Sustainability Sukuk Proceeds and the Portfolio are being distributed. If any of the Eligible Projects cease to comply with the Framework during the tenure of the Sustainability Sukuk, the Group will identify and seek approval internally for alternative projects that comply with the Framework and allocate the Sustainability Sukuk Proceeds to the newly identified projects as soon as possible. If the total amount in the Portfolio is less than the total outstanding amount of the Sustainability Sukuk issued, the Group may hold the remaining unallocated amount in cash, cash equivalents, or other liquid marketable instruments in accordance with the Group's liquidity policy.

Typically, the net Sustainability Sukuk Proceeds from the issuance of the Sustainability Sukuk will be credited to a segregated account and will be used to finance the eligible green, social or sustainability projects as contemplated in the issuer's Framework. This facilitates monitoring and tracking of the use of proceeds, and allocation of the net Sustainability Sukuk Proceeds to the Eligible Projects.

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COMPLIANCE REVIEW FORM

01 IMPACT SIGNIFICANCE ANALYSIS

MARC Ratings' qualitative analysis of Use of Proceeds and impact significance is conducted in the context of the UN SDGs. The Sustainability Sukuk Proceeds will be utilised to support the transition towards a more inclusive, resource-efficient economy that is aligned to the UN SDGs and circular economy concept.

Use of Proceeds will be limited to eligible categories. The Framework defines six (6) eligible categories that cumulatively support seven (7) of the 17 UN SDGs:

1. Green Projects
2. Affordable Housing
3. Waqf
4. Renewable Energy, Energy Efficiency and Climate Action
5. Pollution Prevention and Control
6. Socioeconomics Advancement and Empowerment

ELIGIBLE CATEGORIES

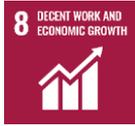
1	Green Category: Green Projects		
	<p>Eligibility Criteria: Development of green buildings; residential, commercial, or industrial projects that meet accepted green certification standards, but not limited to the following:</p> <ul style="list-style-type: none"> • Leadership in Energy and Environmental Design (LEED) (minimum Gold) • Building Research Establishment Environmental Assessment Method (BREEAM) (minimum Excellent) • Green Building Index (GBI) (minimum Gold) • GreenRE (minimum Gold) • Building and Construction Authority (BCA) Green Mark (minimum Gold) • WELL Building Standard (minimum Gold) 		
	Sustainability Objective	Sustainability Benefits	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> • Make cities and human settlements inclusive, safe, resilient, and sustainable for living through climate change mitigation. 	<ul style="list-style-type: none"> • Over 30% of the world's greenhouse gas (GHG) emissions come from buildings, which have a significant role in climate change. • Reduction of energy consumption and avoidance of GHG emissions to reduce the negative environmental effects of cities per person, but not limited to air quality and waste management. 	<div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> <p>Alignment to the UN SDGs:</p> <p>UN SDG 11, Target 11.3</p> <ul style="list-style-type: none"> • Enhance inclusive and sustainable urbanisation and capacity for participatory, integrated, and sustainable human settlement planning and management. <p>Indicative reporting criteria:</p> <ul style="list-style-type: none"> • Green Building Certification

2	Social Category: Affordable Housing		
	<p>Eligibility Criteria: Development of residential housing being categorised as affordable by the government/local authorities that support the state and federal government initiatives to promote housing affordability in urban areas.</p>		
	Sustainability Objective	Sustainability Benefits	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> • Improved equity and inclusion through ownership of assets. • Increase access to affordable housing in urban areas by targeted income groups of B40 and M40. • According to the Malaysian Housing Price Index, the average price of a home in Malaysia increased by about twofold between 2010 and 2020. <p>*B40 refers to the bottom 40% while M40 refers to the middle 40% of income earners in Malaysia.</p>	<ul style="list-style-type: none"> • The projects that will be funded under this category will meet the requirements of people and families with low and moderate incomes for affordable housing as set by local authorities/government. • To alleviate the disparity or widening gap between rising cost of houses versus household income in urban areas resulting in higher demand for affordable homes. • In support of the National Housing Policy (NHP) 2018–2025's two (2) main objectives: <ol style="list-style-type: none"> a. Improving housing affordability and accessibility. b. Ensuring quality housing for all. 	<div data-bbox="1038 510 1155 622" style="text-align: center;">  </div> <p>Alignment to the UN SDGs:</p> <p>UN SDG 11, target 11.1</p> <ul style="list-style-type: none"> • Ensure access for all to adequate, safe, and affordable housing. <p>Lack of high-quality, reasonably priced housing has an impact on urban inclusion, wellbeing, and employment possibilities.</p> <p>Indicative Reporting Criteria:</p> <ul style="list-style-type: none"> • Number of houses developed under affordable scheme.

3	Social Category: Waqf		
	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Development of residential, commercial, or industrial on waqf land and used for waqf projects that support the State Islamic Council initiatives to utilise waqf lands. • The laws regulating the development, sale, and purchase of waqf products, ensure that Eligible Projects funded under this category would benefit B40 communities as planned by the respective State Islamic Council. 		
	Sustainability Objective	Sustainability Benefits	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> • Providing social and economic sustenance for the community by improving equity and inclusion through ownership of assets for livelihood. 	<ul style="list-style-type: none"> • Waqf lands are unique in nature as the assets are already surrendered to the State Islamic Council in perpetuity and are managed by the trustees or 'Al-Mutawalli'. • Joint ventures with trustee / State Islamic Council an approach in real estate development with pre-agreed profit sharing. Able to increase access and productive use of waqf lands for target population of B40 or lower income groups. 	 <p>Alignment to the UN SDGs:</p> <p>UN SDG 11, target 11.1:</p> <ul style="list-style-type: none"> • Ensure access for all to adequate, safe, and affordable housing. <p>The laws regulating the development, sale, and purchase of waqf products, ensure that Eligible Projects funded under this category would benefit B40 communities as planned by the State Islamic Council. Waqf land cannot be owned, and/or inherited.</p> <p>Houses and shops are both being impacted by the increase in house prices. Waqf land development is cheaper due to zero land cost thus reduces the total development cost of a project and ultimately the benefits can be passed on to lower income groups.</p>

4	Green Category: Renewable Energy, Energy Efficiency and Climate Action		
	<p>Eligibility Criteria: Investment in properties with renewable energy and/or improved product energy efficiency, water, and waste efficiency, that meet the generally accepted green certification standards, and/or inclusion of renewable energy and/or improved product energy efficiency, water and waste efficiency, in development and/or green certification within landbank development of either commercial, residential, or industrial development.</p>		
	Sustainability Objective	Sustainability Benefits	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> Mitigate climate change impacts from business operations. 	<ul style="list-style-type: none"> This category is supplementary to the Green Projects category to achieve its benefit, if any. Cutting back on energy use and reducing GHG emissions while reducing unnecessary cost to the business. Eligible Projects that will be financed under this green category 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. 	<div style="display: flex; justify-content: space-around; align-items: flex-start;"> <div style="text-align: center;">  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <div style="text-align: center;">  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> </div> <div style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> </div> <div style="margin-top: 10px;">  <p>13 CLIMATE ACTION</p> </div> <p>Alignment to the UN SDGs:</p> <p>UN SDG 7, target 7.1:</p> <ul style="list-style-type: none"> Ensure universal access to affordable, reliable, and modern energy services. <p>UN SDG 9, target 9.4:</p> <ul style="list-style-type: none"> Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries acting in accordance with their respective capabilities. <p>UN SDG 11, target 11.6:</p> <ul style="list-style-type: none"> Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. <p>UN SDG 13, target 13.3:</p> <ul style="list-style-type: none"> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

5	Green Category: Pollution Prevention and Control		
<p>Eligibility Criteria: Development of recycling facilities and systems for the neighbourhood as part of UDA's initiatives, followed by a community-focused education campaign.</p>			
Sustainability Objective	Sustainability Benefits	Corresponding to the UN SDGs	
<ul style="list-style-type: none"> Pollution prevention and control. 	<ul style="list-style-type: none"> Increased resource efficiency and reduced burden on landfills. Waste can be prevented through reduction, recycling, and reuse to promote care for the environment. The demand on landfills will be reduced. The effectiveness of recycling initiatives, which are now hampered by Malaysian families' relatively poor awareness and involvement in recycling, depends on the active and ongoing participation of the community. 	<div style="display: flex; justify-content: space-around; align-items: center;"> <div data-bbox="1015 483 1129 600" style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div data-bbox="1182 483 1297 600" style="text-align: center;">  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> </div> </div> <p>Alignment to the UN SDGs:</p> <p>UN SDG 3, target 3.9:</p> <ul style="list-style-type: none"> Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination. <p>UN SDG 11, target 11.6:</p> <ul style="list-style-type: none"> Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management. 	

6 Social Category: Socioeconomics Advancement and Empowerment		
<p>Eligibility Criteria: Development of community-focused micro-enterprises, such as Small and Medium Enterprises (SMEs) or social enterprise programmes, to assist disadvantaged community segments in improving their socioeconomic status.</p>		
Sustainability Objective	Sustainability Benefits	Corresponding to the UN SDGs
<ul style="list-style-type: none"> Support and enhance livelihood opportunities. <p>Prior to the pandemic, the percentage of households living in relative poverty — defined as those whose monthly income is below half of the national median — increased from 15.9% in 2016 to 16.9% in 2019.</p> <p>The pandemic has particularly impacted low-income households. The pandemic has exacerbated existing social and economic disparities and reversed progress towards reducing income disparities. Malaysia's absolute poverty rate increased to 8.4 percent in 2020 as result of the COVID-19 crisis (2019: 5.6%).</p>	<p>UDA to continue implementing the “UDA Cares” brand that consists of four (4) pillars:</p>  <p>Activities aimed at supporting the underprivileged and SMEs to advance their socioeconomic position:</p> <ul style="list-style-type: none"> Education: Improve the well-being of children through adopted schools within the business community by means of sponsorship of school supplies to the less fortunate students through the “Back to School” programme. Entrepreneur: Play a role in promoting entrepreneurship related to the business or targeted group by means of UDA Mall Incentives such as UDA Bizznita, UDA 4YOUTH, UDA Mari Mart, UDA Preneur Program and UDA Entrepreneur Trainee. This will help to promote business ownership and part of the development programme will provide support to/opportunities for SMEs and youth. 	  <p>Alignment to the UN SDGs:</p> <p>UN SDG 8, target 8.3:</p> <ul style="list-style-type: none"> Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises. <p>UDA has provided the necessary to support the SME before and after pandemic and will continue to do so.</p> <p>UN SDG 5, Target 5.1:</p> <ul style="list-style-type: none"> End all forms of discrimination against all women and girls everywhere. UDA has been supporting the enhancement of livelihoods for women through its SMEs programmes such as Bizznita and USHA Niaga.

		<ul style="list-style-type: none"> • Project RE: its aim is to REact, REbuild, and REenergize by upgrading a community, providing ‘after services’ that is ancillary to the building maintenance and development through engagement within the development’s business area. • Zakat Distribution: Connects with regional business units to carry out the distributions. It benefits subsidiaries in terms of networking and support from the local community. This will help the less fortunate to continue earning their livelihood through creation of revenue-generating activities from the funds received. 	
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Overall Impact Significance

The main goal of the Framework is to set forth principles under which UDA intends to issue Sustainability Sukuk. The six (6) eligible categories identified in the Framework align with the Green and/or Social project categories recognised by the SC’s SRI Sukuk Framework, the ACMF’s GBS/SBS and the ICMA’s GBP/SBP.

Each of the eligible categories will support the efforts in achieving the UN SDGs such as:

Green Category:

Green Projects (UN SDG 11); Renewable Energy, Energy Efficiency and Climate Action (UN SDGs 7, 9, 11, 13); and Pollution Prevention and Control (UN SDGs 3, 11)

Social Category:

Affordable Housing (UN SDG 11); Waqf (UN SDG 11); and Socioeconomics Advancement and Empowerment (UN SDGs 5, 8).

UDA’s primary focus, being Green Projects, Affordable Housing and Waqf, provides the pre-requisite development enabling the other categories, being Socioeconomics Advancement and Empowerment, Renewable Energy, Energy Efficiency and Climate Action and Pollution Prevention and Control, to be included in UDA’s sustainability initiatives.

Historically, UDA’s sustainability activities were focused on the Social Category by way of fostering development for a fledgling nation, assisting lower income communities to enter commercial spaces and supporting them in times of economic stress, such as in terms of ‘rental breaks’. Recently, UDA has incorporated the Green Category into its sustainable activities in support of the government’s adoption of the 17 UN SDGs.

Exclusion Criteria

UDA will not utilise the Sustainability Sukuk Proceeds for projects included in the exclusion criteria listed below:

1. Gambling, gaming business and any prohibited trade;
2. Weapons;
3. Pork products sector;
4. Alcohol;
5. Fossil fuel;
6. Nuclear energy and nuclear-related assets;
7. Waste incineration resulting in pollution/ harmful biomass;
8. Forestry projects resulting in removal of primary forests;
9. Conventional financial institutions (ribawi) – banking and insurance; and
10. Large scale hydropower plants (>30-megawatt capacity).

Notes:

1. *The above includes exclusions that are not currently relevant to the business. However, they are included for clarity and compliance to the standards and guidelines related to UDA's Sustainability Sukuk issuance.*
2. *Any loans/financing/assets/projects which are not Shariah-compliant are also excluded from the utilisation of Sustainability Sukuk Proceeds.*

Overall, the anticipated impact of the Use of Proceeds is assessed to be “Very Significant”, considering their potential to contribute to advanced transformative sustainable development. The expected sustainability benefits of the Use of Proceeds are highly aligned with UDA’s sustainability approach, the UN SDGs, and national sustainable development priorities.

<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 ASSESSMENT OF ALIGNMENT WITH THE SRI SUKUK FRAMEWORK, ASEAN GBS/SBS AND GBP/SBP

A summary of the findings of our review is given below. The detailed review is attached in this assessment's appendix.



Principle One: Use of Proceeds

The Sustainability Sukuk Proceeds will be allocated to finance and/or refinance, in whole or in part, new or existing eligible Shariah-compliant assets from Green and/or Social project categories recognised by the SC's SRI Sukuk Framework, the ACMF's GBS/SBS and the ICMA's GBP/SBP.

The eligible categories outlined in the Framework are aligned to one or more of the following Green and/or Social project categories specified in the SC's SRI Sukuk Framework.

The eligible Use of Proceeds categories and associated expected sustainability benefits are in line with UDA's sustainability approach and its focus UN SDGs. UDA may add Green and/or Social eligible categories from time to time that are aligned to the SC's SRI Sukuk Framework, the ACMF's GBS/SBS and the ICMA's GBP/SBP, collectively. Clear exclusion criteria have also been defined by the Framework.

The exclusion criteria of the Sustainability Sukuk Proceeds are clearly defined in the Framework.

The eligible categories have been mapped against directly supported UN SDGs in the Framework.

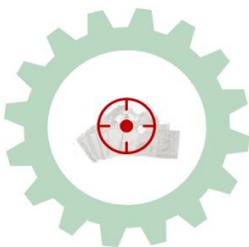
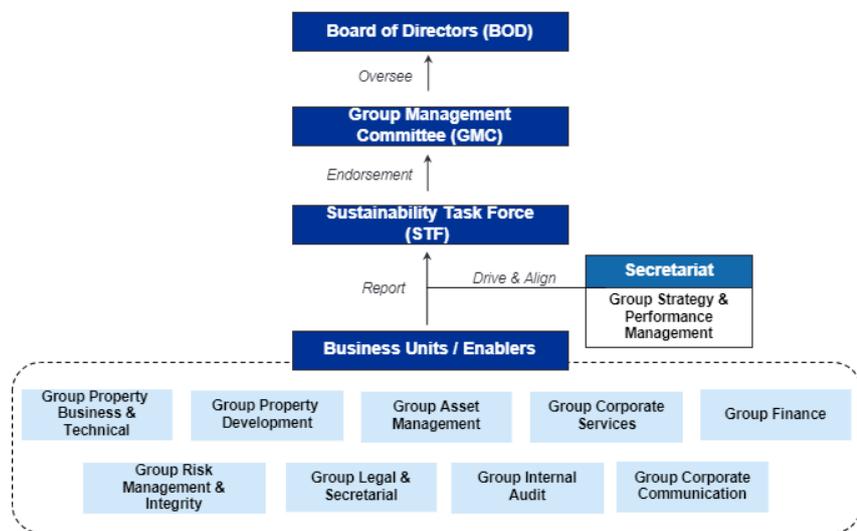
The company has committed to provide information on the allocation of Sustainability Sukuk Proceeds to new financing and/or refinancing. In cases of refinancing, UDA shall endeavour for refinanced projects to have a look-back period of three (3) years from the time of issuance of each Sustainability Sukuk.

A register of the Eligible Projects will be maintained by UDA, and it will be periodically reviewed to verify that all assets in the register continue to meet the criteria under the Framework. UDA has committed to annually disclose its allocation of Sustainability Sukuk Proceeds to each eligible category in aggregate. In MARC Ratings' opinion, the defined eligible Use of Proceeds categories meet the criteria for Use of Proceeds as set forth in the SC's SRI Sukuk Framework, the ACMF's GBS/SBS and the ICMA's GBP/SBP.



Principle Two:
Process for Project
Evaluation and Selection

The Framework details an internal process by which the Eligible Projects are assessed and selected. UDA has set up a Sustainability Task Force (STF) to strategise and coordinate the implementation of UDA’s sustainability frameworks, strategies and action plans, which includes overseeing the project evaluation and selection process, and ensuring selected projects comply with the eligibility criteria defined in the Use of Proceeds. The Framework outlines the internal process and governance structure by which the Eligible Projects are assessed and selected to ensure the eligibility of the projects.



Principle Three:
Management of
Proceeds

The Sustainability Sukuk Proceeds will be distributed to the Portfolio chosen in accordance with the evaluation and approval procedure outlined above. To guarantee adequate and prompt allocation of the Sustainability Sukuk Proceeds, more of the Eligible Projects may, if necessary, be added to the Portfolio. Internally, the Group will keep an eye on how the Sustainability Sukuk Proceeds are being distributed to the Portfolio.

If any of the Eligible Projects cease to comply with the Framework during the tenure of the Sustainability Sukuk, the Group shall designate alternative projects that comply with the Framework for approval by the PCEO and, upon approval, shall allocate the Sustainability Sukuk Proceeds to the newly identified Eligible Projects as soon as is practicable. The Group may hold the remaining unallocated amount in cash, cash equivalents, and/or invest in other liquid marketable instruments in accordance with the Group’s liquidity policy until the amount can be allocated to the Portfolio if the total

amount in the Portfolio is less than the total outstanding amount of the Sustainability Sukuk issued.

An amount equal to the net Sustainability Sukuk Proceeds will be managed by UDA's Finance team through its general account, and an amount equal to the net Sustainability Sukuk Proceeds will be earmarked for allocation to the Eligible Projects as selected by the STF. UDA will set up a dedicated sustainable finance register to track the net Sustainability Sukuk Proceeds and to monitor the allocation of Sustainability Sukuk Proceeds.

If an Eligible Project ceases to meet the eligibility criteria and is removed from the Eligible Projects pool, UDA commits to reallocate as soon as practicable the equivalent amount of proceeds to other Eligible Projects. UDA will continuously monitor the allocation to Eligible Projects to ensure that the aggregate value of the Eligible Projects portfolio matches or exceeds the balance of net Sustainability Sukuk Proceeds.

UDA will engage an appropriate external assurance provider to independently verify the management of the Sustainability Sukuk Proceeds to be in accordance with the Framework as and when required.

UDA will issue a progress report (Sustainability Sukuk Report) on an annual basis, which will provide information on the allocation and impacts of the Sustainability Sukuk issued under the Framework, and on a timely basis in case of material developments. The Sustainability Sukuk Report will be publicly made available on its website at www.uda.com.my and will be updated every year until the allocation is completed, and thereafter, as necessary in case of any new developments.



Principle Four:
Reporting

(a) Allocation Reporting

The allocation section of the Sustainability Sukuk Report will include, among others:

- Aggregate amount of the Sustainability Sukuk Proceeds allocated and utilised for the various Eligible Projects, with a summary on the projects allocated including the purpose, location, and status of the project.
- Remaining balance of the unallocated Sustainability Sukuk Proceeds at the end of the reporting period, where such unutilised amount is placed or invested but pending utilisation.
- Removal or substitution of the Eligible Projects.
- Confirmation that the utilisation of the Sustainability Sukuk Proceeds issued conforms to the Framework.

(b) Impact Reporting

The impact section of the Sustainability Sukuk Report will include:

- Impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact.
- Key Performance Indicators achieved in supporting the UN SDGs relevant to the Eligible Projects and subject to the nature of the relevant Eligible Projects.

The impact of the selected Eligible Projects will be measured against how they aid the delivery of UDA sustainability goals and initiatives in support of the relevant UN SDGs.

Overall, MARC Ratings considers UDA’s Framework to be aligned with the core components of the SC’s SRI Sukuk Framework regarding the Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting (including Disclosures).

Overall Assessment

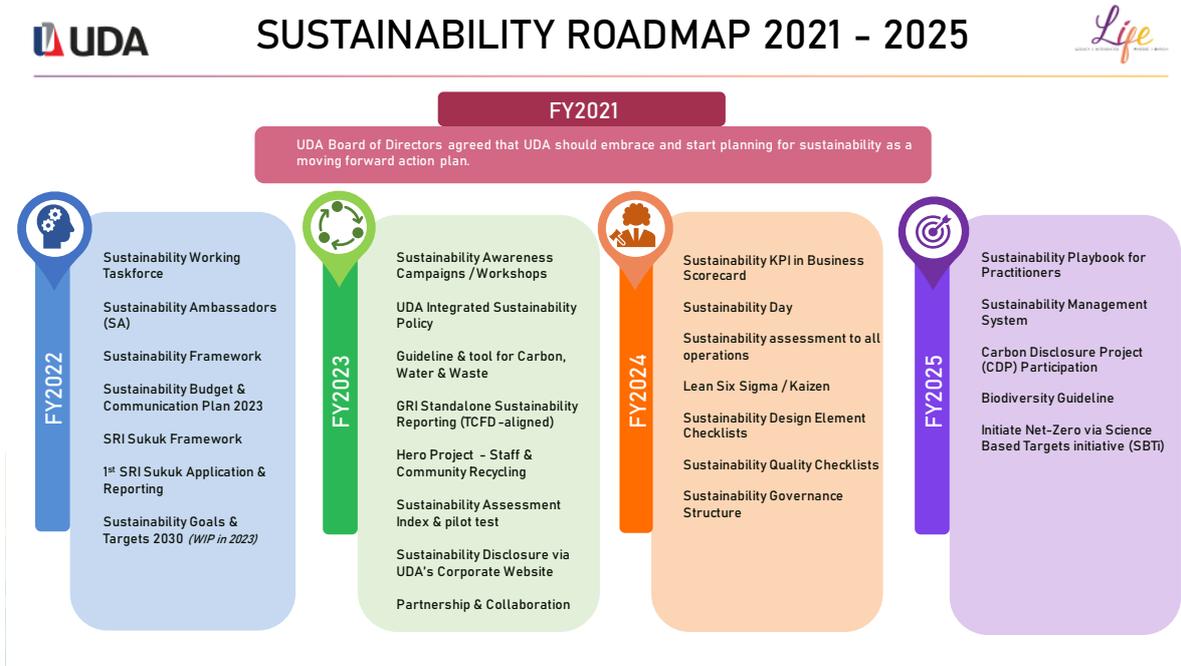
	Clarity of Issuance Process and Disclosure	Total Score
<input checked="" type="checkbox"/>	High	10- 12 points
<input type="checkbox"/>	Good	7 -9 points
<input type="checkbox"/>	Satisfactory	4 – 6 points
<input type="checkbox"/>	Low	Below 4 points

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

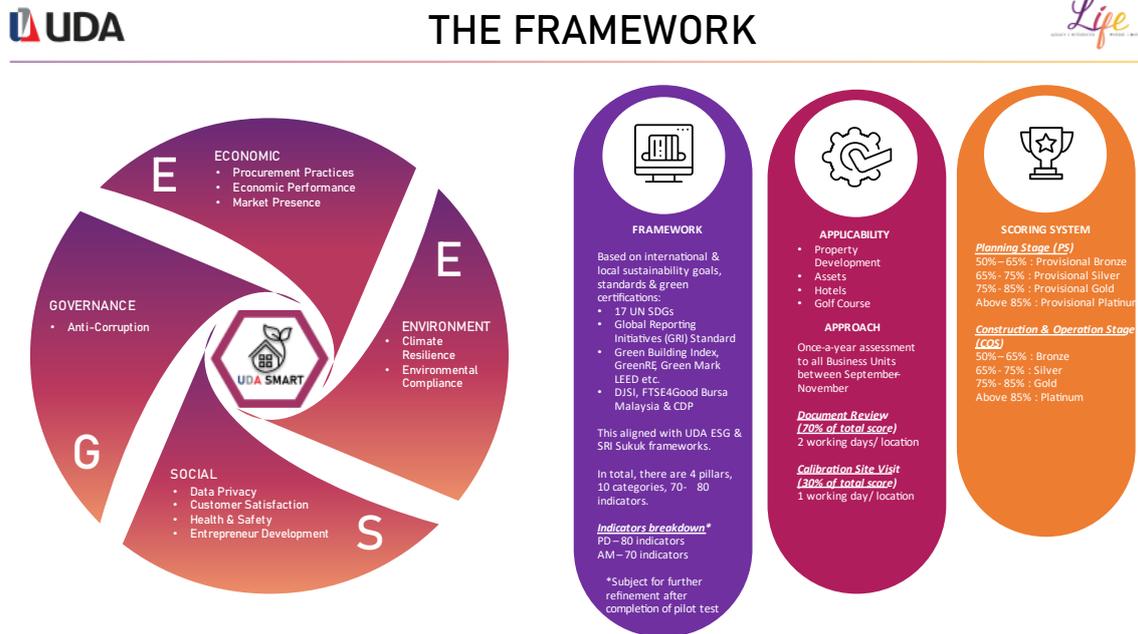
UDA’s sustainable journey took hold during its inception with the mandate to develop the nation’s urbanisation. Overall, MARC Ratings believes that UDA’s sustainability performance to date and its planned formalised adoption of Environmental, Social and Governance (ESG) considerations provides reasonably high assurance of its sustainability implementation capacity and performance.



Under its Sustainability Roadmap 2021–2025, UDA is taking serious measures to incorporate sustainability in its operations, products and services. This can be seen by the establishment of UDA Sustainability Framework & Governance in FY2022 as the high-level strategy. Moving forward, starting FY2023, UDA will be focusing on developing internal capacity and cultural transformation towards sustainability practices through its awareness campaigns. Under this roadmap, various frameworks and tools were also developed to achieve its aspirations, including UDA SMART.

By FY2025, UDA aims to initiate Net-Zero via SBTi which will be aligned to the Malaysia Net-Zero GHG emissions by 2050.

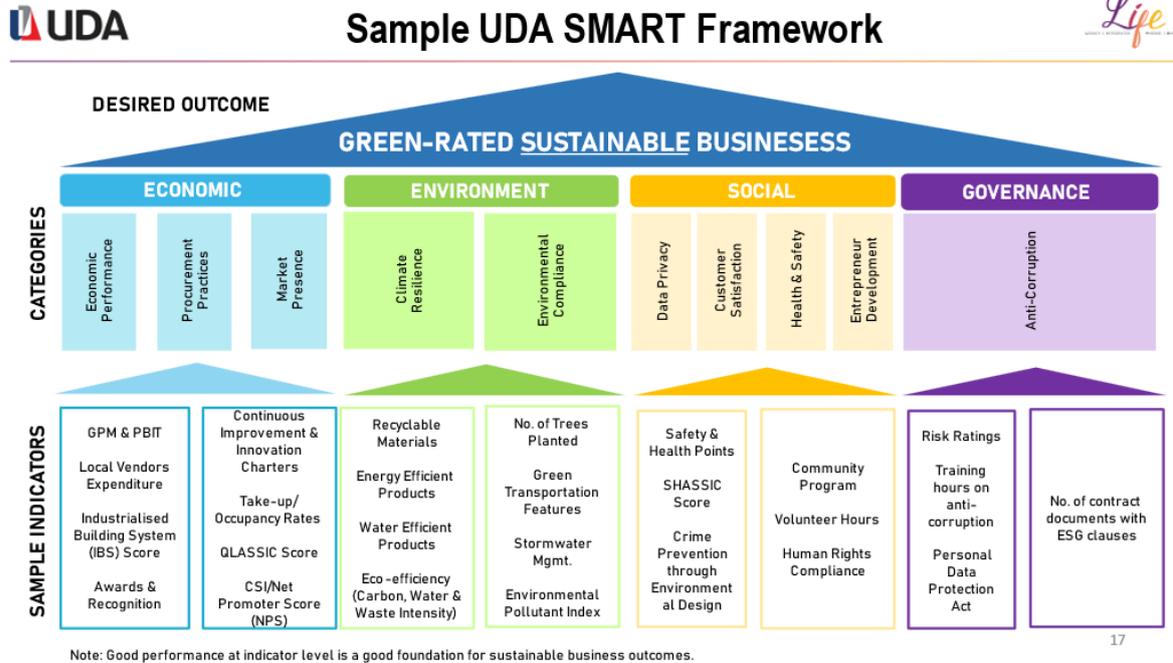
In order to guide and evaluate its operations in sustainability via a systematic and empirical approach, the company has developed in-house sustainability management and rating tools, namely UDA SMART. More details about UDA SMART are shown in the following diagram:



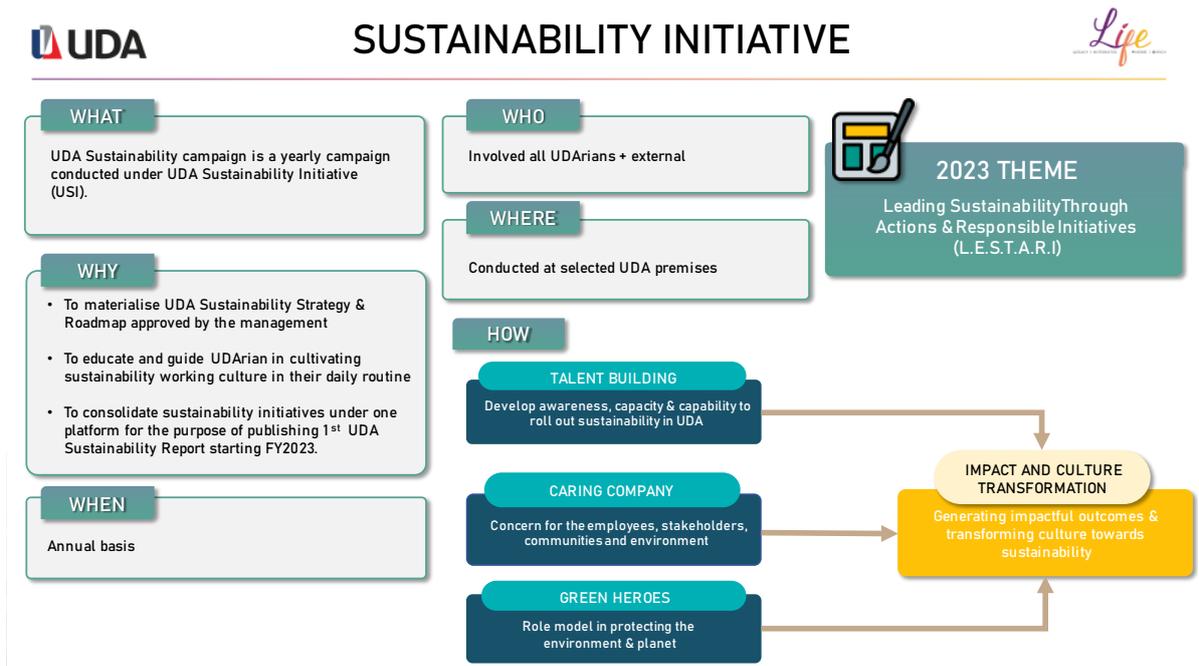
The strategic objective of this framework is listed in the following diagram:



The UDA SMART Framework outlines its operational strategy and targets, as shown in the diagram below. The indicators will be based on the UDA Sustainability Framework that is updated from time to time depending on the requirement for specific targets. This reflects UDA’s commitment to ensure good reporting based on actual data collected through proper tools.



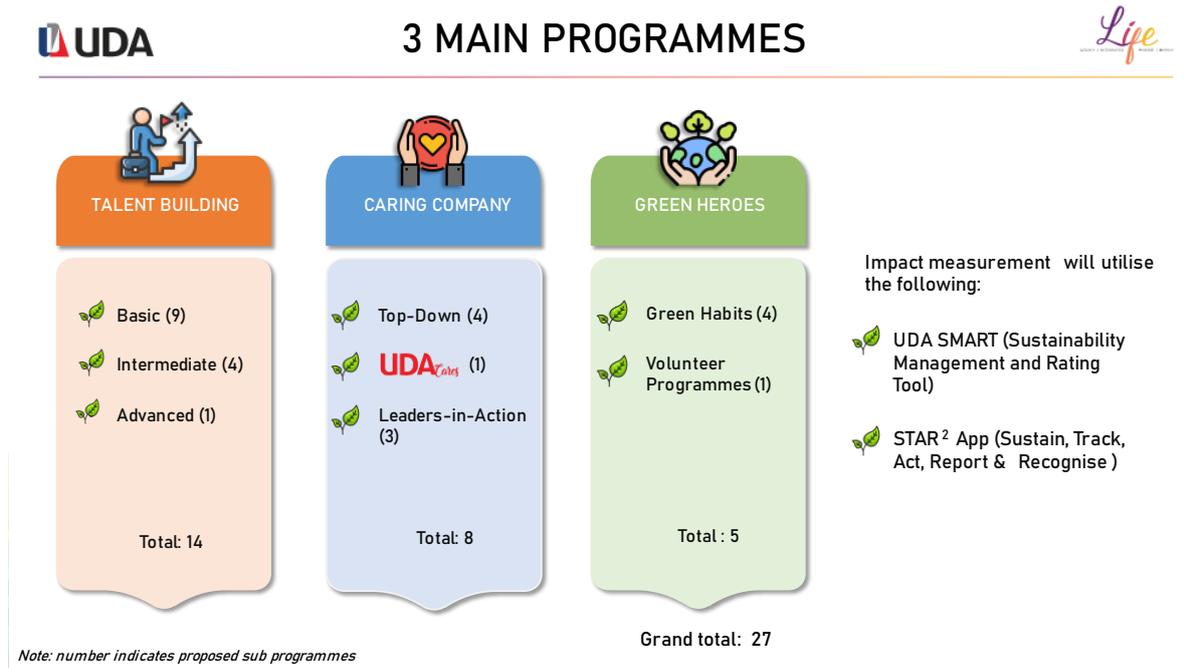
As part of its awareness campaign, UDA has outlined its Sustainability Initiative 2023 programmes, as elaborated in the following diagram:



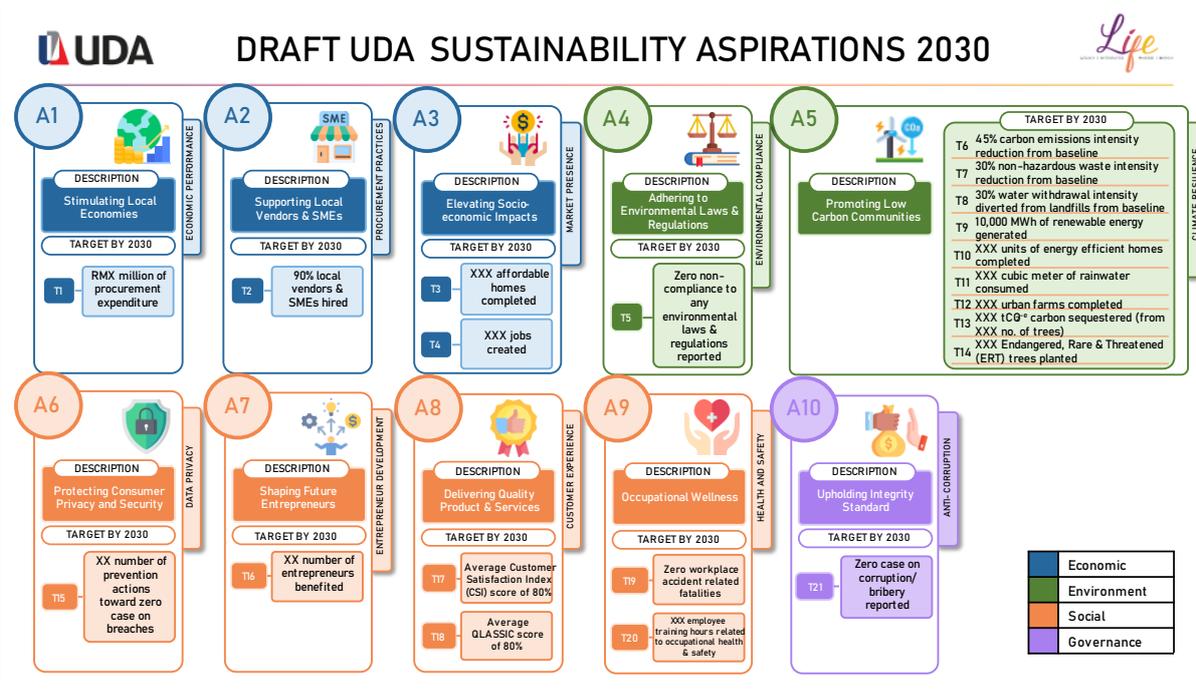
The programmes will focus on generating impactful outcomes and transitioning to a sustainability culture through:

- Developing awareness, capacity and capability to roll out sustainability in UDA (Talent Building);
- Care for the employees, stakeholders, communities, and environment (Caring Company); and
- Becoming a role model in protecting the environment and planet (Green Heroes).

The breakdown of sustainability programmes is as below:



The key ESG metrics are denoted by the UDA Sustainability Aspiration 2030 as follows:



The ESG matrices will be tracked and monitored via the UDA SMART framework as well. This index is part of the UDA Business Scorecard FY2023 under the Sustainability Innovation Index and is to be incorporated at the corporate, divisional and individual level scorecards.



UDA SUSTAINABILITY KPI 2023



Corporate KPI

APPROVED BY BOD

KPI	Rationale/ Remarks	Weightage	Threshold	Base	Stretch
Sustainability Innovation Index	A measurement of overall sustainability innovation based on 8 key items under Sustainability Roadmap Phase 2	15%	<70% completion	75% completion	≥80% completion + Average Knowledge Gain Score ≥75%

Divisional KPI

KPI	Rationale/ Remarks	Weightage	Threshold	Base	Stretch
Sustainability Innovation Index	<p>A measurement of divisional sustainability innovation performance based on completion of any key sustainability components as listed below:</p> <p>Core Components</p> <ul style="list-style-type: none"> Minimum 75% participation rate of divisional staff on any sustainability trainings approved by GSPM SMART pilot assessment completed (for selected BUs) 100% eco-efficiency data (carbon, water & waste) submitted quarterly on-time with complete evidence (for BUs) Participated in staff and community recycling <p>Additional Components</p> <ul style="list-style-type: none"> Policy/ SOP /Guideline created/ revised to adopt sustainability Additional sustainability programmes participated/ organised e.g., volunteer programmes, energy savings campaign, beach/river cleaning, tree planting etc. 	5%	Partial completion of core component(s)	Completion of core components	Base + Additional component(s)+ Average Knowledge Gain Score ≥75%



UDA SUSTAINABILITY KPI 2023



Individual KPI

	Rationale/ Remarks	Weightage	Unsatisfactory (Rank 1)	Below Target (Rank 2)	Meet Target (Rank 3)	Exceed Target (Rank 4)	Excellent (Rank 5)
Sustainability Innovation Index	A measurement of individual sustainability innovation performance based on completion of task	5%	Partial completion on basic sustainability training organised by UDA	Attended to basic sustainability training organised by UDA	Completed basic sustainability training organised by UDA + participation in 1 sustainability programme conducted at Corporate or Divisional level	Completed basic sustainability training organised by UDA + participation in 2 sustainability programmes conducted at Corporate or Divisional level	Completed basic sustainability training organised by UDA + participation in 3 sustainability programmes conducted at Corporate or Divisional level

Notes

For individual nominated as PIC of the following, additional weightage will be assigned up to max 10 % :

- UDA SMART : 5%
- Eco-efficiency : 5%

Meet Target (Rank 3)
As per above + UDA SMART

or

Meet Target (Rank 3)
As per above + Eco-efficiency

Weightage : 10%

Weightage : 10%

Overall, MARC Ratings considers UDA’s strategy and implementation plan are well developed. These are currently being executed. Below is the project status for the initiatives under the roadmap as at FY2022.



The following is a list of proposed projects to be financed through the Framework (not exhaustive):

No.	Project name	Project type	Target project start	Target project completion	Eligibility criteria	Financing type (NF/RF)
1	Wakaf Seetee Aisah 2, Pulau Pinang	Shop Office	Jun 2023	May 2025	Waqf	NF
2	Amaanee, Pulau Pinang	Condominium	Jun 2023	May 2026	Waqf	RF
3	Taman Sultan Sallehuddin Phase 1A, Kedah	Shop Office	Dec 2022	Jun 2024	Waqf	NF
4	Taman Sultan Sallehuddin Phase 1B, Kedah	Semi-D	May 2023	Dec 2024	Waqf	NF
5	Taman Sultan Sallehuddin Phase 2B, Kedah	Semi-D	May 2024	Oct 2025	Waqf	NF
6	Taman Sultan Sallehuddin Phase 2C, Kedah	Terrace	Aug 2023	Apr 2025	Waqf	NF
7	UDA Attalea Phase 1, Selangor	Terrace	Mar 2025	Sep 2026	Affordable Housing	NF
8	Phase 1 Zone 10C, BTMO, Selangor	Apartment	Jul 2025	Jan 2027	Affordable Housing	NF
9	Awan Besar, Selangor	Apartment	Jan 2027	Sep 2029	Affordable Housing	NF
10	Neu Pendington P1, Sarawak	Mixed Dev. (Shop Office / High Rise)	Jan 2024	Sep 2026	Green Building	NF
11	Neu Pendington P2, Sarawak	Shop Office	Jan 2025	Apr 2027	Green Building	NF
12	Neu Pendington P3, Sarawak	Mixed Dev. (Shop Office / High Rise)	Jan 2027	Mar 2030	Green Building	NF
13	Tunas Utama Boutique Hotel	Hotel	Oct 2023	Mar 2025	Green Building	NF
14	UDA Odeon	Commercial	Aug 2023	Aug 2029	Green Building	NF

Legend:

NF: New financing

RF: Re-financing

For Green Projects, the minimum certification target are as follows:

- (1) Leadership in Energy and Environmental Design (LEED) – minimum Gold [<https://www.usgbc.org/>]
- (2) Building Research Establishment Environmental Assessment Method (BREEAM) – minimum Excellent [<https://bregroup.com/products/breeam/>]
- (3) Green Building Index (GBI) – minimum Gold [<https://www.greenbuildingindex.org/>]
- (4) GreenRE – minimum Gold [<https://greenre.org/index>]
- (5) Building and Construction Authority (BCA) Green Mark – minimum Gold [<https://www1.bca.gov.sg/>]
- (6) WELL Building Standard – minimum Gold [<https://standard.wellcertified.com/well>]

Sustainability Performance Assessment

<input checked="" 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 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 the Framework for financing 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 the SC’s Sustainable and Responsible Investment (SRI) Sukuk Framework, the ACMS’s ASEAN Green/Social Bond Standards (GBS/SBS) and ICMA’s Green/Social Bond Principles (GBP/SBP)

Issuer: UDA Holdings Berhad’s (UDA) Sustainability Sukuk Framework

Key Additional Features to comply with for sukuk issuance:

- 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
<p>Issuer <u>ASEAN GBS/SBS</u> 3.1 The issuer must be an ASEAN issuer, or the eligible green and/or social project(s) must be in an ASEAN country.</p> <p><u>SRI Sukuk Framework</u> 7.02 The proceeds (of sukuk) will be applied exclusively for funding of any activities or transactions relating to the Eligible SRI projects.</p> <p>7.03 An issuer must not– (a) use or adopt the term “SRI sukuk”; or (b) hold itself out as an issuer of such SRI sukuk, unless the issuance of the SRI sukuk has complied with these Guidelines.</p> <p>7.04 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.</p> <p>7.05 The information relating to the issuer and the details of the issuer’s SRI Sukuk Framework must be made publicly accessible via a designated website to be disclosed by the issuer.</p>	<p>UDA is an ASEAN issuer.</p> <p>The net Sustainability Sukuk Proceeds will exclusively be allocated to finance and/or refinance, in whole or in part, new or existing eligible Shariah-compliant assets, businesses, projects and/or products that meet the criteria as set out in the Sustainability Guidelines/Framework (Eligible Projects) and the Framework.</p> <p>UDA intends to issue Sustainability Sukuk that comply with these Guidelines.</p> <p>UDA commits and will enhance existing processes where necessary to ensure compliance with the SC’s SRI Sukuk Framework.</p> <p>The Framework will be made available at the point of issuance and throughout the tenure of the Sustainability Sukuk via a designated website.</p>	<p>Evaluation of alignment of the Framework with the SC’s SRI Sukuk Framework.</p> <p>The Framework will be made available at www.uda.com.my.</p>

<p><i>Such information in the designated website must be made available at the point of issuance and throughout the tenure of the SRI sukuk.</i></p>		
<p>Eligible Projects</p> <p><u>SRI Sukuk Framework</u> 7.07</p> <p><i>An eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</i></p> <ol style="list-style-type: none"> <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>7.08</p> <p><i>The Eligible SRI projects may include but not limited to the following:</i></p> <ol style="list-style-type: none"> <i>a) Green projects that relate to—renewable energy; energy efficiency; pollution prevention and control; environmentally sustainable management of living natural resources and land use; terrestrial and aquatic biodiversity conservation; clean transportation; sustainable water and wastewater management; climate change adaptation; eco-efficient and/ or circular economy adapted products, production technologies and processes; and green buildings which meet regional, national or internationally recognised standards or certifications.</i> <i>b) Social projects that relate to, amongst 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.</i> <i>c) Projects which are the combination of Green and Social projects as described in (a) and (b) above; and</i> 	<p><i>The Eligible Projects as defined by the Framework will achieve any one or a combination of objectives set out in paragraph 7.07 of the SRI Sukuk Framework.</i></p> <p><i>The eligible categories outlined in the Framework are aligned to one (1) or more of the Green and/or Social project categories specified in paragraph 7.08</i></p> <p><i>Green Category:</i> <i>Green Projects (UN SDG 11); Renewable Energy, Energy Efficiency and Climate Action (UN SDGs 7, 9, 11, 13); and Pollution Prevention and Control (UN SDGs 3, 11)</i></p> <p><i>Social Category:</i> <i>Affordable Housing (UN SDG 11); Waqf (UN SDG 11); and Socioeconomics Advancement and Empowerment (UN SDGs 5, 8).</i></p>	<p><i>UDA intends to use the net Sustainability Sukuk Proceeds issued under the Framework to finance and/or refinance, in whole or in part, new or existing eligible Shariah-compliant assets, businesses, projects and/or products within the categories of Green Projects; Affordable housing; Waqf; Renewable Energy, Energy Efficiency and Climate Action; Pollution Prevention and Control; Socioeconomics Advancement and Empowerment.</i></p> <p><i>Use of Proceeds impacts are linked to the following UN SDGs:</i></p> <ul style="list-style-type: none"> <i>• UN SDG 3: Ensure healthy lives and promote well-being for all at all ages, achieve gender equality and empower all women and girls.</i> <i>• UN SDG 7: Ensure access to affordable, reliable, sustainable and modern energy for all.</i> <i>• UN SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.</i> <i>• UN SDG 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.</i> <i>• UN SDG 11: Make cities and human settlement inclusive, safe, resilient and sustainable.</i> <i>• UN SDG 13: Take urgent action to combat climate change.</i> <p><i>UDA may add Green and/or Social eligible categories from time to time that are aligned to the SC's SRI Sukuk Framework, the ACMF's GBS/SBS and the ICMA's GBP/SBP collectively.</i></p>

<p>d) <i>Waqf projects that relate to the development of waqf properties or assets.</i></p>		
<p>Use of Proceeds</p> <p><u>ASEAN GBS/SBS</u></p> <p>4.1</p> <p>4.1.1 <i>The utilisation of issue proceeds must be described in the documentation for issuance.</i></p> <p>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></p> <p>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></p> <p>4.1.4 <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 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.</i></p>	<p><i>The utilisation of the Sustainability Sukuk Proceeds is described in the Framework.</i></p> <p><i>The eligible Use of Proceeds categories identified in the Framework are aligned with the Green and/or Social project categories recognised by the ACMF's GBS/SBS.</i></p> <p><i>The eligible Use of Proceeds project categories set out in the Framework are recognised as impactful by the ACMF's GBS/SBS.</i></p> <p><i>UDA has committed to provide information on the allocation of Sustainability Sukuk Proceeds to new financing and/or refinancing. In cases of refinancing, UDA shall endeavour for refinanced projects to have a look-back period of no more than three (3) years from the time of issuance of each Sustainability Sukuk.</i></p>	<p><i>The Sustainability Sukuk Proceeds will be used by the Group to finance and/or refinance, in part or in whole, new or existing eligible Shariah-compliant assets, businesses, projects and/or products falling within the green and/or social categories recognised by the SC's SRI Sukuk Framework, the ACMF's GBS/SBS and the ICMA's GBP/SBP.</i></p> <p><i>MARC Ratings has reviewed the Green and/or Social eligible categories and concluded that the Eligible Projects fulfil the applicable criteria and would be considered green/social for the purposes of the SC's SRI Sukuk Framework, the ACMF's ASEAN GBS/SBS and the ICMA's GBP/SBP.</i></p> <p><i>A look-back period of no more than three (3) years aligned with best market practices.</i></p>
<p>Process for Project Evaluation and Selection</p> <p><u>SRI Sukuk Framework</u></p> <p>7.12 <i>An issuer must establish internal processes for evaluation and selection of the Eligible SRI projects as identified in paragraph 7.08 above.</i></p> <p><u>ASEAN GBS/SBS</u></p> <p>4.2.1 <i>The issuer must clearly communicate to investors:</i></p> <p><i>(i) The environmental/social sustainability objectives; The Eligible</i></p>	<p><i>The issuer has established internal processes for project evaluation and selection with the board of directors and senior management involvement.</i></p> <p><i>The eligible categories are framed in the context of UN SDGs with specific</i></p>	<p><i>The Framework details an internal process by which the Eligible Projects are assessed and selected. UDA has set up a Sustainability Task Force (STF) to oversee the project evaluation and selection process, and ensure selected projects comply with the eligibility criteria defined in the Use of Proceeds.</i></p>

<p>Categories are framed in the context of SDGs with specific E&S 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>4.2.2 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.</p> <p>4.2.3 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.</p> <p>4.2.4 It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.</p> <p>4.2.5 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) The process for project evaluation;</p>	<p>environmental objectives. The eligibility criteria are clearly communicated in the Framework.</p> <p>The sustainability objectives of the Framework and the eligible categories act as a guide to identify the eligible project.</p> <p>The exclusion criteria of the Sustainability Sukuk Proceeds include the financing of luxury sectors (precious metals/ precious minerals/ artworks and antiques wholesale or brokerage); child labour or forced labour; gambling; adult entertainment; weapons and military contracting; alcohol; tobacco; fossil fuel-related activities (including extraction, exploration, production, power generation or transport of fossil fuels); nuclear; production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans; and large-scale hydro-power projects with a generating capacity of over 25 megawatts.</p> <p>The Framework outlines the process and accountabilities for project evaluation and selection.</p> <p>UDA has established internal process/guidelines on green certifications on selected projects.</p> <p>UDA appointed MARC Ratings as external reviewer for the Framework.</p> <p>UDA has committed to make the required information available on its corporate website at www.uda.com.my.</p>	<p>The Framework outlines the internal process and governance structure by which the Eligible Projects are assessed and selected to ensure the eligibility of the projects.</p> <p>Where applicable, UDA will undertake necessary processes to identify and manage potentially material E&S risks associated with the Eligible Projects.</p> <p>UDA has also disclosed that review of the Eligible Projects will be conducted by the STF to confirm the continued eligibility of the Eligible Projects and the course of action to be taken where the project no longer meets the Framework's Eligibility Criteria. Projects that are no longer eligible will be removed from the register of the Eligible Projects and replaced with projects that are in compliance with the Framework.</p> <p>The Framework will provide information on the process for project evaluation, and the company will issue the Sustainability Sukuk Report on an annual basis that will provide information on the allocation and impact throughout the tenure of the Sustainability Sukuk. MARC Ratings' external review assessment will also be made available on UDA's corporate website.</p>
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<p>(ii) <i>The Use of Proceeds; and</i> (iii) <i>External review report on the process (if any)</i></p>		
<p>Management of Proceeds</p> <p><u>SRI Sukuk Framework</u> 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><u>ASEAN GBS/SBS</u> 4.3.1 <i>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.</i></p> <p>4.3.2 <i>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. 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><i>UDA will monitor the allocation of the Sustainability Sukuk Proceeds and the Eligible Projects portfolio internally.</i></p> <p><i>Prior to issuance, UDA will make the Framework available to potential investors. The Framework describes the process for managing the net Sustainability Sukuk Proceeds.</i></p> <p><i>UDA will invest the balance of unallocated Sustainability Sukuk Proceeds in the permitted investment instruments in accordance with UDA's cash management policy.</i></p> <p><i>UDA has committed that until full allocation, the allocation of the Eligible Projects will be continuously monitored to ensure that the aggregate value of the Eligible Projects is at a level that is equal to the net Sustainability Sukuk Proceeds raised from the outstanding Sustainability Sukuk.</i></p> <p><i>The Framework discloses the intended types of temporary placement for the balance of unallocated net Sustainability Sukuk Proceeds.</i></p> <p><i>An independent external party will verify the allocation of funds, confirming that an amount equivalent to the net Sustainability Sukuk Proceeds have been allocated in compliance with all material respects of the eligibility criteria set forth in the Framework.</i></p>	<p><i>Where the aggregate amount in the Portfolio is less than the total outstanding amount of UDA's sustainable financing proceeds, UDA may hold the unallocated amount in cash, cash equivalents and/or invest in other liquid marketable instruments, all of which shall be in accordance with UDA's liquidity policy until the amount is allocated to the Portfolio.</i></p> <p><i>The independent review forms part of the requirement for disclosures in UDA's Sustainability Sukuk Report.</i></p>

<p>Reporting</p> <p><u>ASEAN GBS/SBS</u></p> <p>4.4.1 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. 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.</p> <p>4.4.2 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).</p> <p>4.4.3 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.</p> <p>4.4.4 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.</p> <p>4.4.5 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.</p> <p>Disclosure Requirements</p> <p><u>SRI Sukuk Framework</u></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 use 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</p>	<p>UDA will provide allocation and impact reports to be included in UDA's annual Sustainability Sukuk Report, and on a timely basis in the event of any material developments until full allocation of the Sustainability Sukuk Proceeds is issued. This report will include, among others:</p> <ul style="list-style-type: none"> • The original amount earmarked for the Eligible Projects; • The amount of Sustainability Sukuk Proceeds that have been utilised/allocated to one or more Eligible Projects defined as in whole or in part of new or existing Shariah-compliant assets, businesses, projects and/or products, under construction and/or in operation, either individually or by category, subject to confidentiality considerations (customer consent); • The unutilised amount and where such unutilised amount is placed or invested pending utilisation; • The list of Eligible Projects with a selection of brief descriptions; • Expected impact metrics, where feasible; and • The outstanding amount of net Sustainability Sukuk Proceeds yet to be allocated to the Eligible Projects at the end of the reporting period. <p>Updates of the external review are encouraged by the ACMF's GBS/SBS but are strictly voluntary.</p> <p>UDA commits to report annually and publicly on its website throughout the tenure of the Sustainability Sukuk. The external review on the annual reporting is encouraged by the ACMF's GBS/SBS but is strictly voluntary.</p> <p>UDA has committed to provide information in items (a) to (h) annually through its corporate website in its Sustainability Sukuk Report under the Framework.</p>	<p>The independent review forms part of the requirement for disclosures in UDA's Sustainability Sukuk Report.</p>
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<p><i>proceeds being allocated for refinancing and which Eligible SRI projects to be refinanced;</i></p> <p>c) <i>The Eligible SRI projects in which the proceeds will be allocated; d) The details of the Eligible SRI projects and to the extent possible,</i></p> <p>d) <i>impact objectives from the Eligible SRI projects;</i></p> <p>e) <i>The processes used by the issuer to evaluate and select the Eligible SRI projects;</i></p> <p>f) <i>The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects;</i></p> <p>g) <i>The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and</i></p> <p>h) <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.</i></p>		
<p>External Review</p> <p><u>SRI Sukuk Framework</u> 7.17 <i>If an external reviewer is appointed to assess and provide a 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.</i></p> <p><u>ASEAN GBS/SBS</u> 5.1 <i>Issuers are recommended to appoint external review providers for the bond issuances or programmes.</i></p> <p>5.2 <i>The external review may be partial, covering only certain aspects of the bond's framework or full, assessing alignment with all four core components as stated in the relevant standards.</i></p> <p>5.3 <i>The external review provider must have the relevant expertise and experience in the components of the Bonds which they are reviewing.</i></p>	<p><i>MARC Ratings has been engaged as independent external reviewer for the Framework. The external reviewer's report will be made available on its website at www.marc.com.my.</i></p> <p><i>MARC Ratings has been engaged as an independent external reviewer for the Framework.</i></p> <p><i>The review conducted by MARC Ratings is a full review and addresses alignment with all four (4) components of the relevant standards.</i></p> <p><i>MARC Ratings is registered with the SC as a credit rating agency. The scope of MARC Ratings' external review is set out in MARC Ratings' Impact Bond Assessment (IBA) methodology that is</i></p>	<p><i>MARC Ratings has established a transparent score-based framework for its green, social and sustainability bond assessments analysis that is published on its corporate website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</i></p>

<p>5.4 <i>The external review provider must also disclose their relevant credentials and expertise, and the scope of the review conducted in the external review report.</i></p>	<p><i>publicly accessible from its corporate website.</i></p> <p><i>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 assessment.</i></p>	
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THE UN SUSTAINABLE DEVELOPMENT GOALS



GOAL 1: End poverty in all its forms everywhere



GOAL 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture



GOAL 3: Ensure healthy lives and promote well-being for all at all ages



GOAL 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



GOAL 5: Achieve gender equality and empower all women and girls



GOAL 6: Ensure availability and sustainable management of water and sanitation for all



GOAL 7: Ensure access to affordable, reliable, sustainable and modern energy for all



GOAL 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



GOAL 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



GOAL 10: Reduce inequality within and among countries



GOAL 11: Make cities and human settlements inclusive, safe, resilient and sustainable



GOAL 12: Ensure sustainable consumption and production patterns



GOAL 13: Take urgent action to combat climate change and its impacts



GOAL 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development



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 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 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development

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