

**MARC**

**MARC RATINGS BERHAD**

2020010441436 (1397757-W)



**LBS BINA GROUP BERHAD**

**PRE-ISSUANCE SUSTAINABLE FINANCING FRAMEWORK  
ASSESSMENT**

**NOVEMBER 2023**



**SUSTAINABLE FINANCING  
FRAMEWORK ASSESSMENT**

MARC Ratings Berhad (MARC Ratings) has been engaged by LBS Bina Group Berhad (LBS) (Company Registration No: 200001015875 (518482-H)) as an independent external reviewer for its Sustainability Financing 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

LBS Bina Group Berhad (LBS or “the company”) (Company Registration No: 200001015875 (518482-H)) has engaged MARC Ratings Berhad (MARC Ratings) to review its Sustainability Financing Framework (the Framework).

MARC Ratings’ external review consists of three parts: an impact significance analysis based on the Framework; an assessment of alignment with the Social Bond Principles (SBP), Green Bond Principles (GBP), and Sustainability Bond Guidelines (SBG) of the International Capital Market Association (ICMA); or Social Bond Standards (SBS), Green Bond Standards (GBS), and Sustainability Bond Standards (SUS) of the ASEAN Capital Markets Forum (ACMF); or Social Loan Principles (SLP), and Green Loan Principles (GLP) of the Asia Pacific Loan Market Association (APLMA), the Loan Market Association (LMA) and the Loan Syndications and Trading Association (LSTA); or Sustainable and Responsible Investment Sukuk Framework (SRI Sukuk Framework) of the Securities Commission Malaysia (SC) or as they may be subsequently updated or amended; and an evaluation of LBS’s sustainability implementation capacity and performance.

The Framework has been established to set the guidelines for LBS’ future fundraising through sustainable debt instruments, including green/social/sustainability sukuk/bonds and green/social/sustainability loans/financings. In assigning the assessment, MARC Ratings has relied on pre-issuance information provided by associated parties as well as information gathered from the public domain.

The proceeds raised in accordance with the Framework (Sustainable Financing Proceeds) will be exclusively utilised for the financing and/or the refinancing, in whole and/or in part, of Eligible Projects, new and/or existing assets, businesses, projects and/or products that comply with the eligible criteria. The following are the eligible criteria for Use of Proceeds: Affordable Housing, Socioeconomic Advancement and Empowerment, Green Building, Pollution Prevention and Control, Renewable Energy/Energy Efficiency, and Biodiversity Conservation.

In alignment with LBS’ sustainability initiatives and commitments, respective project teams will design sustainability-related projects by reviewing and validating proposed Eligible Projects according to the Framework. A representative from Group’s Senior Management, appointed by the Board for Project Evaluation, will assess these projects in line with LBS’ overall Group Sustainability Strategy. Once approved by the Sustainability Committee based on the Framework and Group Sustainability Strategy, the Eligible Projects will be monitored by Group Sustainability throughout their lifecycle, with the option to replace them if they no longer meet the eligibility criteria.

The net proceeds from the financing will be managed internally. The proceeds will be deposited into LBS’ bank account which shall be managed by LBS’ Treasury Department and earmarked for utilisation towards Eligible Projects. LBS will create a register to track the allocation of the proceeds raised in reference to this Framework. The Framework aligns LBS’ post sukuk issuance tracking and reporting on Use of Proceeds with the SC’s SRI Sukuk Framework. It provides for annual reporting of the projects to which the 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, LBS will disclose qualitative performance indicators, quantitative performance measures and the key underlying methodology and/or assumptions used. MARC Ratings considers the process for the management of proceeds to be in line with market practice.

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 GBP/SBP/SBG, ASEAN GBS/SBS, GLP/SLP/SUS, and the SRI Sukuk Framework.

## Introduction

LBS was founded in 1961 and has been listed on Bursa Malaysia Securities Berhad since January 2002. At the heart of LBS' philosophy are three guiding principles: "Believe. Become. Behold." These principles underscore the company's unwavering promise and dedication to creating not just physical structures, but enduring living, working, and recreational spaces. This commitment to excellence was the vision of the late Dato' Seri Lim Bock Seng, the founder of LBS, who believed that every Malaysian deserves a home of exceptional quality that not only inspires but also enriches their lives. This vision remains the driving force behind LBS' activities.

The company is dedicated to creating sustainable living, working, and recreational environments for the community, and has delivered over 40,000 high-quality, affordable homes with essential community facilities across Malaysia.

LBS' motto has always been to put people first and believes that it is needful to continue its focus on the affordable housing segment. Its target of 85% of sales originating from this segment in 2023, reflects its commitment to addressing housing needs in the Klang Valley.

LBS collaborates closely with federal and state governments in Malaysia, and actively contributes to meeting the nation's pressing affordable housing requirements through various partnerships and schemes such as My First Home Scheme, *Rumah Selangorku*, *Rumah Idaman MBI* and *Perumahan Penjawat Awam*.

Housing affordability is a global challenge, affecting major cities worldwide, both in developing and advanced economies. In 2019, the Ministry of Local Government Development spearheaded the National Affordable Housing Policy, which adopted the definition of affordable housing from international sources like the United Nations Human Settlement Program 2011, Queensland Affordable Housing Consortium, and McKinsey Global Institute. These definitions typically rely on three primary methodologies: Median Multiple (MM), Housing Cost Burden, and Residual Income.

## Sustainability Governance Structure

LBS firmly believes in the significance of sustainable business practices for the enduring success of the company, its stakeholders, and the environment. To uphold this commitment, LBS has integrated sustainability into its core operations and throughout its value chain. They have established a governance structure with transparent reporting lines dedicated to overseeing sustainability strategies, action plans, and initiatives. This structure operates under the direct oversight of the Board, ensuring that sustainability priorities are fully integrated and play a pivotal role in decision-making and the execution of Economic, Environmental, Social, and Governance (EESG) matters across all facets of their operations and business units.



## Net Zero Carbon by 2050

LBS is actively committed to a comprehensive sustainability journey that includes short-term, medium-term, and long-term goals, along with interim targets. Introduced in 2022, the company has established specific sustainability short-term targets covering environmental, social, and governance aspects with ongoing monitoring and reporting throughout 2023.

Their long-term goal is to achieve net zero carbon emissions by 2050, emphasising their dedication to combatting climate change. They also publicly support the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, demonstrating their transparency in climate-related reporting. To guide their efforts, LBS has developed a detailed 2050 roadmap for carbon emissions reduction across their operations, encompassing economic, environmental, social, and governance (EESG) targets. This roadmap includes interim targets to track their progress towards reaching net zero carbon emissions by 2050.

By 2025:

- To achieve 5% reduction of energy intensity by revenue by 2025 (**Baseline year: 2022**)
- To achieve 5% reduction of carbon intensity by revenue by 2025 (**Baseline year: 2022**)
- To achieve 5% reduction of water intensity by revenue by 2025 (**Baseline year: 2022**)
- To achieve 10% waste diversion from landfills by 2025 (**Baseline year: 2022**)
- To achieve 100% of employees trained on Occupational Safety & Health in varying capacity per annum
- To achieve an average of 10 learning & development training hours per employee per annum
- To achieve 100% of employees trained in the Group's Anti-Bribery & Corruption Policy, Gift, Entertainment & Hospitality Policy, as well as Donations & Sponsorships Policy

\*\* The above does not cover all of LBS' available 2025 targets.





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## APPENDIX

### COMPLIANCE REVIEW FORM

## 01 IMPACT SIGNIFICANCE ANALYSIS

MARC Ratings' qualitative analysis of Use of Proceeds impact is conducted in the context of the United Nations Sustainable Development Goals (UN SDGs). As a globally accepted guidepost for the transition to sustainable development, the SDGs serve as a useful framework of reference for impact analysis. The 17 SDGs are at the heart of a global sustainability agenda covering three broad areas of economic, social and environmental development to be reached by 2030.

The Framework's major objective is to set guidelines for the company's future fundraising through sustainable debt instruments, including green/social/sustainability bonds/sukuk and green/social/sustainability loans/financings.

The proceeds from the respective financing instruments will be utilised to support the transition towards a more inclusive, resource-efficient economy that is aligned with the UN SDGs and Circular Economy concept.


The Framework defines six broad Eligible Categories for Use of Proceeds and cumulatively support 10 of the 17 UN SDGs:

1. Affordable Housing
2. Socioeconomic Advancement and Empowerment
3. Green Building
4. Renewable Energy/Energy Efficiency
5. Pollution Prevention and Control
6. Biodiversity Conservation

### ELIGIBLE CATEGORIES FOR USE OF PROCEEDS

<b>1</b>	<b>Affordable Housing</b>
	<p><b>Eligibility Criteria:</b></p> <p>Expansion of affordable residential housing, in support of or independent of the State and/or Federal Government initiatives to address issues surrounding housing affordability. "Affordable housing" as defined by the Federal or any State Government or other relevant entity from time to time.</p> <p><b>Examples of Eligible Projects:</b></p> <ul style="list-style-type: none"> <li>• My First Home Scheme</li> <li>• Rumah Selangorku</li> <li>• Perumahan Penjawat Awam Malaysia</li> <li>• Rumah Idaman MBI</li> </ul>



Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
Construct affordable residential housing to align with state and federal government policies promoting housing affordability, and accommodating low- to moderate-income households.	Facilitating homeownership for low- to middle-income households, and possibly reducing financial risks for homeowners.	<p>Alignment to the UN SDGs:</p>  <p><b>UN SDG 1, Target 1.4, and 11, Target 11.1</b> The provision of affordable housing serves the purpose of promoting social inclusion by allowing those who may not have access to housing the option to purchase homes as the prices are within the accepted parameters of affordability as defined by the Federal or State Governments; and ensuring equitable and reliable access to housing amenities.</p> <p>Indicative measurement: number of affordable housing projects/units built/refurbished</p>


## 2 Socioeconomic Advancement and Empowerment






### Eligibility Criteria:





Developing and conducting initiatives targeted at community and social enterprise programmes that help affected community segments elevate their socioeconomic conditions, including but not limited to community infrastructure services and employee uplifting programmes.

### Examples of Eligible Projects:


- Investments in community infrastructure and services:  
Community infrastructure and services i.e. the building of flyover for Bandar Saujana Putra residence to assist traffic congestion, building of Surau IPD Brinchang Cameron for the communal purposes of the local community.
- Community investments/donations/activities carried out by LBS Foundation in making positive impact in these focus areas:
  - Education
  - Environment
  - Health
  - Community
- Initiatives/activities targeted at internal employee upliftment:
  - Employee Upskilling Programs
  - Launch of Star Talent Programme as part of the group's talent pool initiative aimed at nurturing and recognising exceptional talent within the organisation.

Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
Improve the socio-economic conditions of affected communities, including infrastructure services, education, environment, health and employee upliftment.	Enhancement of community development through improved infrastructure and services, support for environmental initiatives, betterment of public health, and the promotion of employee growth and job satisfaction.	<p>Alignment to the UN SDGs:</p>  <p><b>UN SDG 1, Target 1.5</b> Climate Resilience Initiatives: Contribution to reducing exposure to climate-related extreme events and other shocks.</p> <p>Indicative measurement: Number of contributions to flash flood victims, completion of community infrastructure, and beneficiaries from LBS Foundation.</p> <p><b>UN SDG 3, Target 3.8</b> Providing quality healthcare services to those in need.</p> <p>Indicative measurement: Tracking dental treatment sponsorships, hospital bed donations, COVID-19 medical aid contributions, blood donation campaigns, and beneficiaries through the LBS Foundation.</p> <p><b>UN SDG 4, Target 4.3</b> Supporting education in communities through initiatives like the "Back to School" campaign and contributions to universities.</p> <p>Indicative Measurement: Tracking the number of initiatives under LBS Foundation, beneficiaries (school students), and completed community infrastructure projects.</p> <p><b>UN SDG 8, Target 8.2</b> Enhancing staff skills and productivity.</p> <p>Indicative Measurement: Keeping track of staff benefitting from the Star Talent Programme and the number of training events/programmes conducted.</p>

			<p><b>UN SDG 13, Target 13.2</b></p> <p>Supporting tree planting efforts in various initiatives, including the LBS Green Mission, LBS' Development Projects, and activities under the LBS Foundation.</p> <p>Note: The above does not cover all environmental and social initiatives/benefits undertaken by LBS.</p>
3	Green Building		
<p><b>Eligibility Criteria:</b></p> <p>Development/Redevelopment of new/existing buildings to be certified by a third party in accordance with green standards, for example:</p> <ul style="list-style-type: none"><li>• GreenRE (Gold or above)</li><li>• GBI (Gold or above)</li><li>• LEED (Gold or above)</li></ul> <p>Including features, designs and materials that allow resources to be efficiently utilised.</p> <p>Examples of Eligible Projects:</p> <ul style="list-style-type: none"><li>• Development of green buildings, i.e. residential, commercial or industrial developments that meet the accepted green certification standards.</li><li>• The properties should meet the energy, water and waste efficiency performance requirements of these green certification standards.</li></ul>			
Sustainability Objective		Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"><li>• To mitigate the effects of climate change and reduce LBS's environmental carbon footprint.</li><li>• To adopt the use of sustainable materials in developments and construction under LBS as well as in the overall operations of LBS.</li></ul>		<ul style="list-style-type: none"><li>• Reduction in greenhouse gas (GHG) emissions via the development and construction of buildings with green standard certification.</li></ul>	<p>Alignment to the UN SDGs:</p> <div><div><p>7 AFFORDABLE AND CLEAN ENERGY</p></div><div><p>11 SUSTAINABLE CITIES AND COMMUNITIES</p></div><div><p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p></div><div><p>13 CLIMATE ACTION</p></div><div><p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p></div></div> <p><b>UN SDG Targets: 7.1, 9.4, 11.6, 12.2, 13.2</b></p> <ul style="list-style-type: none"><li>• Should LBS seek financing for the development of Green Buildings, the certification used would be of a high standard that allows for the following:</li><li>• Greater energy efficiency with focus on clean energy</li><li>• Water and waste efficiency</li></ul> <p>Indicative measurement:</p> <ul style="list-style-type: none"><li>• Number of certified Green Buildings including floor space of Green Buildings meeting the eligibility criteria, by certification type and level</li><li>• Quantity of waste that is prevented, minimised, reused or recycled.</li><li>• Annual GHG emissions reduced/avoided (tonnes of CO2e)</li></ul>

4	<b>Renewable Energy/Energy Efficiency</b>		
	<p><b>Eligibility Criteria:</b></p> <p>Optimising the use of renewable energy and promoting on-site energy generation when applicable.</p> <p>Examples of Eligible Projects:</p> <ul style="list-style-type: none"> <li>Investment and/or inclusion of renewable energy in LBS' owned assets, and inclusion of renewable energy features in LBS' future projects including but not limited to installation of solar equipment.</li> <li>Investments or expenditures on, or development and implementation of any software or hardware to decrease total energy consumption or GHG emissions in LBS' owned assets and future projects including but not limited to power-saving features.</li> </ul> <p>*Including features, designs and materials that allow resources to be efficiently utilised.</p>		
	<b>Sustainability Objective</b>	<b>Sustainability Benefit</b>	<b>Corresponding to the UN SDGs</b>
	<ul style="list-style-type: none"> <li>To mitigate climate change and its impacts.</li> <li>To improve energy security by using other alternative fuel sources.</li> </ul>	<ul style="list-style-type: none"> <li>Lower the usage of fossil fuels for electricity generation.</li> </ul>	<p>Alignment to the UN SDGs:</p> <div style="display: flex; justify-content: space-around; align-items: center;">     </div> <p><b>UN SDG Targets: 7.2, 11.6, 12.6, 13.2</b></p> <p>Implementing renewable energy programmes/ energy efficiency programmes allows for renewable energy to be generated in future developments. Property developers have a high carbon footprint and implementing these initiatives allows for the following:</p> <ul style="list-style-type: none"> <li>Contribution to the renewable energy mix</li> <li>Reduce LBS' carbon footprint</li> <li>Allows for a more sustainable value supply chain in LBS' operations</li> <li>Support Malaysia's plan to transition to clean energy</li> </ul> <p>Indicative measurement:</p> <ul style="list-style-type: none"> <li>Renewable energy saved (MWh)</li> <li>Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e)</li> </ul>
5	<b>Pollution Prevention and Control</b>		
	<p><b>Eligibility Criteria:</b></p> <p>Expenditures relating to initiatives or investments in research, construction, development, operation, renovation and/or maintenance of facilities, systems or equipment used for:</p> <ul style="list-style-type: none"> <li>Treatment, collection, reuse, reduction of emissions, reduction of waste and hazardous waste or treatment of contaminated soil.</li> <li>Diverting waste and/or hazardous waste away from landfills.</li> </ul> <p>Research into and development of processes, infrastructure, technology and facilities that promote efficient resource use and management (e.g. circular economy, and water and energy conservation).</p>		

<p>Examples of Eligible Projects:</p> <ul style="list-style-type: none"> <li>• Watering of unpaved roads within LBS' project sites with an increased frequency during hot and dry periods to remove dust for the nearby community.</li> <li>• General construction waste to be recycled on sites as much as possible.</li> <li>• Scheduled waste is stored in a suitable container under a cover with provisions that prevent leakage or spillage into the environment.</li> <li>• Construction, development, installation, operation and maintenance of infrastructure or equipment for collection or treatment of rainwater.</li> <li>• Implementation of Industrialised Building Systems (IBS) to fabricate steel and aluminium formwork product by reducing wastage whereby steel moulds and aluminium formwork can be recycled for subsequent projects with the same design.</li> </ul>		
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Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> <li>• To promote inclusive and sustainable developments via the innovation of new technologies and construction techniques which reduce pollution and wastage.</li> <li>• To ensure that LBS' urban areas and properties for human habitation are sustainable, resilient, and inclusive.</li> <li>• To provide recycling facilities, and to increase the awareness on recycling among the community within the vicinity of LBS's developments.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in environmental pollutants and emission generated by LBS' development projects</li> <li>• Improved efficiency of resources used for development projects</li> <li>• Minimising the use of landfills by reducing waste</li> <li>• Mobilisation of local communities to participate in recycling through awareness programmes, and the provision of recycling facilities.</li> </ul>	<p>Alignment to the UN SDGs:</p>  <p><b>UN SDG Targets 9.4, 11.6, 12.6, 13.2</b></p> <p>As a property developer, LBS has focused its efforts into waste management and seeks to continue to ensure the following:</p> <ul style="list-style-type: none"> <li>• Greater efficiency in the use of materials to avoid waste.</li> <li>• Reduce emissions arising from its activities.</li> <li>• Adopt more sustainable practices.</li> <li>• Introduce innovation and practices to support pollution prevention and control.</li> </ul> <p>Indicative measurement:</p> <ul style="list-style-type: none"> <li>• Quantity of waste that is prevented, minimised, reused or recycled before and after a project (measured in, among others, tonnes or percentage of total waste per year)</li> <li>• Annual GHG emissions reduced/avoided (tonnes of CO<sub>2</sub>e)</li> </ul>


## 6 Biodiversity Conservation

### Eligibility Criteria:

Expenditures relating to initiatives or investments in restoration and/or conservation of endangered, rare, or threatened native species and prevention of further reduction of natural forest cover or other natural ecosystems.

### Examples of Eligible Projects:

- Tree planting initiatives under:
  - LBS Green Mission Programme which aims to act as the umbrella initiative, encompassing all ESG efforts, including supporting the Government of Malaysia's 100 million Tree Planting Campaign.
  - LBS' Development Projects.
  - LBS Foundation.

Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> <li>To identify, assess and manage the environmental and biodiversity impacts of LBS' operations.</li> <li>To sustainably manage and properly utilise areas of high biodiversity value.</li> </ul>	<ul style="list-style-type: none"> <li>Preservation of biodiversity for future generations.</li> <li>Minimise threats of significant loss of biodiversity.</li> </ul>	<div style="text-align: center;">  </div> <p>Alignment to the UN SDG <b>15, Target 15.5</b> Take urgent actions to reduce the degradation of natural habitats, halt the loss of biodiversity and prevent the extinction of threatened species.</p> <p>The tree planting initiative seeks to support Malaysia's campaign of biodiversity conservation by urging corporates to support the restoration of natural habitat and to protect endangered species.</p> <p>Indicative measurement: Number of trees planted.</p>

*Note: Indicative measurements stated represent examples only and are not exhaustive.*

### Overall Impact Significance

The main goal of the Framework is to set forth principles under which LBS intends to issue financing instruments. The six (6) eligible categories identified in the Framework are aligned with the project categories recognised by GBP/SBP/SBG, ASEAN GBS/SBS/SUS, the SRI Sukuk Framework and GLP/SLP.

Each of the Eligible Categories will support the initiatives in achieving the UN SDGs such as:

**Social Category:** Affordable Housing (UN SDGs 1 and 11); and Socioeconomic Advancement and Empowerment (UN SDGs 1,3,4 8 and 13).

**Green Category:** Green Building (UN SDGs 7, 9, 11, 12 and 13); Pollution Prevention and Control (UN SDGs 9, 11, 12 and 13); Renewable Energy/Energy Efficiency (UN SDGs 7, 11,12 and 13); and Biodiversity Conservation (UN SDG 15).

The Use of Proceeds for the Eligible Projects may include disbursements to the projects two (2) years prior to the issuance or signing date of each tranche of the respective Sustainable Finance and for the duration of their life.

### Exclusion Criteria

LBS will not be utilising the Sustainable Finance Proceeds for projects included in the following exclusion criteria:

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage)
- Child labour or forced labour
- Adult entertainment
- Weapons and military contracting
- Alcohol

- Tobacco
- Fossil fuels
- Nuclear; and
- Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans.

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

<input type="checkbox"/>	<b>Very Significant</b>	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 checked="" type="checkbox"/>	<b>Significant</b>	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"/>	<b>Fairly Significant</b>	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"/>	<b>Marginal</b>	This level of impact significance is assigned where underlying projects are expected to generate a positive but limited ground level impact.
<input type="checkbox"/>	<b>Not Significant</b>	This level of impact significance is assigned where underlying projects are expected to have negligible ground level impact.



## 02 ASSESSMENT OF ALIGNMENT WITH GBP/SBP/SBG, ASEAN GBS/SBS/SUS, SRI SUKUK FRAMEWORK AND GLP/SLP

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



### Principle One: Utilisation of Proceeds

The Sustainable Finance Proceeds will be exclusively utilised for the financing and/or the refinancing, in whole and/or in part, of Eligible Projects, new and/or existing assets, businesses, projects and/or products that comply with the eligible criteria recognised by GBP/SBP/SBG, ASEAN GBS/SBS/SUS, the SRI Sukuk Framework and GLP/SLP.

The Eligible Categories outlined in the Framework are aligned to one or more of the following project categories specified in the SRI Sukuk Framework:

- Affordable Housing
- Socioeconomic Advancement and Empowerment
- Green Building
- Pollution Prevention and Control
- Renewable Energy / Energy Efficiency
- Biodiversity Conservation

Additionally, clear exclusion criteria have been defined by the Framework.

LBS commits to provide information on the allocation of proceeds to new financing and refinancing. In cases of refinancing, LBS shall endeavour for refinanced projects to have a look-back period of no more than two (2) years from the time of issuance of each instrument.

A register of Eligible Projects will be maintained by LBS that will be periodically reviewed to verify that all assets in the register continue to meet the criteria under the Framework.

In MARC Ratings' opinion, the defined eligible Use of Proceeds categories in the Framework meet the criteria for Use of Proceeds as set forth in the GBP/SBP/SBG, ASEAN GBS/SBS/SUS, the SRI Sukuk Framework and GLP/SLP.

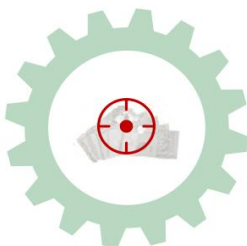


Principle Two:  
Process for Project  
Evaluation and  
Selection

The step-by-step process for evaluation and selection of Eligible Projects is as follows:

- a) The respective project teams will be tasked to design sustainability-related projects in alignment with sustainability initiatives and commitments driven by LBS. In designing the sustainability-related projects, the respective project teams will review and validate proposed Eligible Projects in accordance with the Framework to be classified as an Eligible Project
- b) A representative from the Group's Senior Management, as appointed by the Board for the Process for Project Evaluation, will assess and evaluate the proposed Eligible Projects based on the Framework, and in accordance with LBS' overall Group Sustainability Strategy
- c) The Eligible Projects will then be submitted to the Sustainability Committee for approval based on the Framework and the overall Group's Sustainability Strategy
- d) Group Sustainability will monitor the Eligible Projects portfolio during the life of the transaction and will report the respective progress of the Eligible Projects to the Board. Group Sustainability will conduct quarterly meetings in respect of the monitoring of the Eligible Projects, in line with the quarterly Sustainability Committee meetings and Board meetings. LBS can decide to replace Eligible Projects if it no longer meets the eligibility criteria as set out in steps (a) – (c) above.

In MARC Ratings' opinion, the above is in line with market practice.



Principle Three:  
Management of  
Proceeds

The proceeds raised in accordance with the Framework shall be allocated to the Eligible Projects selected based on the evaluation and approval process. LBS will track the Sustainable Finance Proceeds and monitor the allocation of the proceeds internally.

The proceeds will be deposited into LBS' general funding account which shall be managed by LBS' Treasury Department and earmarked for utilisation towards Eligible Projects. LBS will create a register to track the allocation of the proceeds raised in reference to the Framework. The register will contain key information including issuer/borrower entity, transaction date, number of transactions, principal amount of proceeds, repayment or amortisation profile, maturity date, profit, interest or coupon rate, and the ISIN number in the case of a bond or sukuk transaction.

The utilisation is intended to be dynamic, with new Eligible Projects able to be added and removed, where applicable. If any Eligible Projects cease to meet the eligibility criteria, these Projects can be substituted with other Eligible Project(s) that is evaluated and selected in accordance with the same evaluation and approval process as soon as practicable.

Where the aggregate amount of the newly identified Eligible Projects is less than the total outstanding amount of LBS' Sustainable Finance Proceeds, LBS may hold the balance unallocated amount in cash, cash equivalents and/or invest in other liquid marketable instruments in accordance with LBS' liquidity management policy until the amount can be allocated to new Eligible Projects.

For Sustainable Finance Proceeds allocated for the purpose of refinancing operating projects, in which case the projects' costs were fully disbursed in the past, no separate management of proceeds is required. LBS is committed to performing the same evaluation and approval process for the selection of the Eligible Projects in respect of the already invested capital.

LBS will provide details on the allocation on an annual basis in their Sustainability Report and/or website.



Principle Four:  
Reporting

**Allocation Reporting**

- Summary of projects details
- Aggregate amount of proceeds that has been allocated to Eligible Projects.
- Amount of unallocated proceeds and types of temporary investment.
- Other necessary information.

**Impact Reporting**

Where possible, LBS will report on the environmental and social impacts associated with the Eligible Projects funded with the proceeds. Subject to the nature of Eligible Projects and availability of information, LBS aims to include the following, but not limited to, Impact Indicators:

- 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 UN SDGs and LBS' sustainability ambitions.

External verifiers may be engaged to verify LBS' use of proceeds and reporting as described in the sections above.

In MARC Ratings' opinion, the reporting commitments are aligned with the requirements of the GBP/SBP/SBG, ASEAN GBS/SBS/SUS, the SRI Sukuk Framework, GLP/SLP and market practice.

Overall, MARC Ratings considers the Framework to be aligned with the core components of the respective standards 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

### Sustainability Integration

LBS has established a governance structure to oversee its sustainability efforts, aligning them with the UN SDGs. This structure, in conjunction with the Group Sustainability Policy, ensures that EESG matters are overseen by the Board, either directly or through Board Committees. The Board guides the Management on sustainability plans, promoting long-term value creation. The Board also develop sustainability strategies, incorporating EESG factors, priorities, and goals with the support of Sustainability Committee.

Sustainability oversight involves formal board committees, led by the Sustainability Committee at the board level. This committee is supported by Group Sustainability, a management-level committee. At LBS, decisions by the Board on EESG-related topics are communicated throughout the Group via Group Sustainability.

Group Sustainability is responsible for overseeing sustainability trends, governance, and compliance, and responsible for ensuring sustainability considerations are integrated into strategies across all operations and units. They also promote EESG awareness across all LBS business operations through ongoing engagement activities. Furthermore, Group Sustainability monitors important EESG concerns and tracks the progress of Eligible Projects, reporting to the Board.

For the purposes of project selection for evaluation and selection according to the Framework, the step-by-step process is as follows:



In August 2023, LBS introduced the Group Sustainable Procurement Policy, which will be integrated into procurement practices. This involves considering EESG factors at various stages, from assessing needs to supplier selection and post-contract management. LBS will involve its employees throughout the procurement across the entire LBS Group and screen for relevant EESG factors. Currently, LBS is in the process of incorporating Supplier Risk Assessment for environmental and social aspects into the supplier registration process.

LBS has integrated significant EESG topics into its overall risk management approach, recognising their connections to financial performance. This involves increased participation from the Risk and Business divisions in the governance structure, emphasising the link between ESG issues and business outcomes. Material ESG issues will remain part of the Group's risk assessment, with continuous monitoring and evaluation.

Sustainability is becoming integral to LBS' core business performance, including remuneration and compensation. Both the Board and Senior Management's remuneration will be tied to EESG Key Performance Indicators (KPIs). Given the Board's comprehensive oversight of EESG matters, such as safety, climate change, and resource use, EESG reports are presented quarterly during Board meetings, ensuring thorough examination and discussion.

The tiered governance structure involving the Board, Senior Management, and employees facilitates communication, ensuring policies and decisions are well communicated and help to guide action plans.

### **LBS Group Sustainability Policy**

LBS is guided by the Group Sustainability Policy that covers important EESG matters. The objectives of this policy are:

1. Ensure that business operations and strategies align with the Group's commitment.
2. Integrate EESG principles into LBS' governance framework.
3. Create long-term value for all stakeholders.
4. Support and enable employees at all levels to follow LBS' commitments.

This policy is applied consistently along with other Group policies, including those related to the Environment, Diversity, Human Rights, Whistleblowing, Workplace Harassment, Occupational Safety and Health, and Group Sustainable Procurement.

The full policy can be obtained at LBS' website.

### **Sustainability Recognition**

LBS has become a constituent of the FTSE4Good Bursa Malaysia Index. Created by the global index and data provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indexes are used by a wide variety of market participants to create and assess responsible investment funds and other products.









FTSE Russell evaluations are based on performance in areas such as Corporate Governance, Health & Safety, Anti-Corruption and Climate Change. Businesses included in the FTSE4Good Index Series meet a variety of environmental, social and governance criteria.

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

## Snapshots from LBS's Sustainability Report 2022

LBS' sustainability reporting can be obtained from its website.

LBS has aligned itself with selected UN SDGs to provide a larger sustainability context to the Group's ESG impact and overall agenda. This is done with consideration to delivering positive outcomes and supporting the realisation of a more equitable society and a better tomorrow.

SUSTAINABILITY GOALS	KEY PERFORMANCE INDICATORS & TARGETS
 <b>ETHICS AND INTEGRITY</b>	<p>100% of employees and suppliers are compliant to the Group's Anti-Bribery &amp; Corruption Policy, Gift, Entertainment &amp; Hospitality Policy, as well as Donations &amp; Sponsorships Policy.</p> <p>To establish Cybersecurity Working Team with formulating strategy, cultivate cybersecurity culture and arrange yearly cybersecurity audits by any qualified external parties.</p>
 <b>PROGRESSIVE ACCOUNTABILITY</b>	<p>Zero incidents annually of monetary or non-monetary censures, penalties, anti-corruption incidents and, complaints from the public, regulatory authorities &amp; consumers.</p> <p>To reach a minimum of 30% female directors on the Board by 2023.</p>
 <b>EMPLOYEE ENGAGEMENT</b>	<p>Zero fatalities.</p> <p>100% of all employees briefed/trained on OSH in varying capacity per annum.</p> <p>To conduct an average of 10 Learning and Development training hours per employee.</p>
 <b>ENVIRONMENTAL PRESERVATION</b>	<p>To achieve 10% reduction for waste against FY2022 by 2025.</p> <p>To achieve 5% reduction in water intensity as measured over revenue against FY2022 baseline by 2025.</p> <p>To be Net Zero Carbon Emissions by 2050 as per reduction of total carbon usage.</p> <p>To achieve 5% reduction in carbon intensity as measured over revenue based on FY2022 baseline by 2025.</p> <p>To achieve 5% reduction for both direct and indirect energy efficiency as measured over revenue against FY2022 baseline by 2025.</p>
 <b>RESPONSIBLE DEVELOPMENT</b>	<p>Zero incidences of non-compliance for air, water, noise annually across all project sites.</p> <p>All new project launches for FY2023 onwards to exceed the 10% minimum regulatory green landscape requirements.</p>
 <b>ECONOMIC VIABILITY</b>	<p>100% on time delivery for vacant possession.</p> <p>80% customer complaints response and resolution rate per annum.</p>
 <b>DIGITALISATION TRANSFORMATION</b>	<p>To achieve cost and time efficiency by increasing digitalisation rate of operation processes.</p>
 <b>COMMUNITY ENHANCEMENT</b>	<p>To achieve 4 volunteering hours per employee per annum by 2023.</p>



RESULTS	LINKAGE TO UN SDGS	LINKAGE TO MATERIAL TOPICS
100% of employees and suppliers are compliant to the Group's Anti-Bribery and Corruption Policy, Gift, Entertainment and Hospitality Policy, as well as Donations & Sponsorships Policy.		1. Biodiversity
Zero reported incidents of data breaches.		2. Climate Change and Emissions
Zero reported incidents of corruption, zero cases of non-compliance or unethical conduct.		3. Corporate Governance and Anti-Corruption
Zero human rights violations incidents, as well as, zero incidents of non-compliance with regard to labour matters reported.		4. Data Privacy and Security
Ensured the continuation of female board representation, as well as, maintained number of independent directors on the Board.		5. Digitalisation and Technology
Zero reported incidents of health and safety non-compliance reported, zero fatalities reported with a 0.42 LTI rate.		6. Diversity and Equal Opportunity
13.82% of employees were briefed and trained on OSH in varying capacity per annum.		7. Economic Value Generated
Conducted 5,887 training hours with an average of 12.6 hours per employee.		8. Effluent and Noise Management
Ensured 15,596 kg of waste was recycled and prevented from being sent to landfills.		9. Energy Consumption
Water intensity: 52.04 m <sup>3</sup> /RM'million.		10. Green Buildings
Published Scope One, Two and Three emissions data as well as emissions intensity data. GHG emissions intensity: 5.09 CO <sub>2</sub> e/RM'million.		11. Labour Practices
Energy intensity: 21.96 GJ/RM'million.		12. Landbank
Zero fines/penalties reported for any incidents pertaining to environmental non-compliance.		13. Local Community Development
Planted about 2,369 trees of varied species at project sites and through CSR activities.		14. Occupational Health and Safety
82% of customer satisfaction scores via vacant possession.		15. Product Quality and Customer Experience
99.7% customer resolve rate.		16. Regulatory Compliance
52.5% customer response rate.		17. Resource Consumption
Implemented the digitalisation of business operational processes to ensure the reduction of manual work.		18. Succession Planning
Participated and conducted 60 CSR activities which were attended by 85 employees.		19. Supply Chain Management
		20. Talent Management
		21. Thriving Township
		22. Waste Management and Recycling
		23. Water Consumption




Sustainability Report 2022 has been developed in accordance with the best practices of several industry-standard sustainability reporting frameworks. These include: • Global Reporting Initiative (GRI) Standards: Core Option • Bursa Malaysia Sustainability Reporting Guide (Third Edition) • FTSE4Good Bursa Malaysia Index • SASB Sector-Specific Disclosures • TCFD Disclosures • UN SDGs. All data presented in the report have been internally sourced and verified by the respective business units or senior management to ensure its accuracy and quality. All financial data presented in this report has been verified by the Group's external auditor. All non-financial ESG information has been internally reviewed by the Group's internal auditors.

## Sustainability Performance Assessment

<input type="checkbox"/>	<b>Excellent/Highest Assurance</b>	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"/>	<b>Very Good/High</b>	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"/>	<b>Good/Medium</b>	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"/>	<b>Fair/Basic</b>	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"/>	<b>Poor/Weak</b>	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 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>

## 05 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 [www.marc.com.my](http://www.marc.com.my). 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 [www.marc.com.my](http://www.marc.com.my) or contact us at [ratings@marc.com.my](mailto:ratings@marc.com.my).

## Review of Compliance with Green/Social/Sustainability Bond Principles (GBP/SBP/SBG), ASEAN Green/Social/Sustainability Bond Standards (GBS/SBS/SUS), and SRI Sukuk Framework

**Issuer: LBS' Sustainable Financing 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><b>Issuer</b>  <u>ASEAN GBS/SBS/SUS</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></p> <p><u>SRI Sukuk Framework</u>  7.02  <i>The proceeds (of Sukuk) will be applied exclusively for funding of any activities or transactions relating to the Eligible SRI projects.</i></p> <p>7.03  <i>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.</i></p> <p>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></p> <p>7.05  <i>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. 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><i>LBS is an ASEAN issuer.</i></p> <p><i>The Sukuk proceeds will be applied exclusively for the funding of activities falling within those broad categories of eligibility recognised by the SC's SRI Sukuk Framework.</i></p> <p><i>The issuer intends to issue SRI sukuk that complies with the Guidelines.</i></p> <p><i>LBS commits to establish policies and processes as needed to ensure compliance with the SRI Sukuk Framework.</i></p> <p><i>The Issuer's Framework will be made available at the point of issuance and throughout the tenure of the SRI sukuk via its website.</i></p>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><b>Eligible Projects</b></p> <p><u>SRI Sukuk Framework</u></p> <p>7.07</p> <p>An eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</p> <ol style="list-style-type: none"> <li>Preserving and protecting the environment and natural resources;</li> <li>Conserving the use of energy;</li> <li>Promoting the use of renewable energy;</li> <li>Reducing greenhouse gas emission;</li> <li>Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes especially but not exclusively for a target population; or</li> <li>Improving the quality of life of the society.</li> </ol> <p>7.08</p> <p>The Eligible SRI projects may include but not limited to the following:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Projects which are the combination of Green and Social projects as described in (a) and (b) above; and</li> <li>Waqf projects that relate to the development of waqf properties or assets.</li> </ol>	<p>Eligible projects as defined by the Framework will achieve any one or a combination of objectives (a) through (f) set out in paragraph 7.07 of the SRI Sukuk Framework.</p> <p>The Eligible Categories outlined in the Framework are aligned to one or more of the following Green and Social project categories specified in paragraph 7.08 (a) of the SRI Sukuk Framework 7.08:</p> <ul style="list-style-type: none"> <li>Affordable Housing</li> <li>Socioeconomic Advancement and Empowerment</li> <li>Green Building</li> <li>Pollution Prevention and Control</li> <li>Renewable Energy/Energy Efficiency</li> <li>Biodiversity Conservation</li> </ul>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><b>Use of Proceeds</b></p> <p><u>ASEAN GBS/SBS/SUS</u></p> <p>4.1</p> <p>4.1.1</p> <p>The utilisation of issue proceeds must be described in the documentation for issuance.</p> <p>4.1.2</p> <p>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.</p> <p>4.1.3</p> <p>All designated Green and/or Social Projects must provide clear environmental/social benefits, which will be assessed and, where feasible, quantified by the Issuer.</p> <p>4.1.4</p> <p>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>The utilisation of proceeds is described in the Framework.</p> <p>The eligible Use of Proceeds categories identified by the Framework are aligned with the social and green project categories recognised by the Standards.</p> <p>The eligible Use of Proceeds project categories set out in the Framework are recognised as impactful by ASEAN Standards.</p> <p>The issuer has committed to provide information on the allocation of proceeds to new financing and refinancing. In cases of refinancing, the issuer shall endeavor for refinanced projects to have a look-back period of no more than two (2) years from the time of issuance of each instrument.</p>	<p>MARC Ratings has reviewed the Social and Green Eligible Categories and concluded that the eligible projects/financing fulfill the applicable criteria to be considered green and/or social for the purposes of the GBP/SBP, ASEAN GBS/SBS and SC's SRI Sukuk Framework.</p>
<p><b>Process for Project Evaluation and Selection</b></p> <p><u>SRI Sukuk Framework</u></p> <p>7.12</p> <p>An issuer must establish internal processes for evaluation and selection of the Eligible SRI projects as identified in paragraph 7.08 above.</p> <p><u>ASEAN GBS/SBS/SUS</u></p> <p>4.2.1</p> <p>The issuer must clearly communicate to investors:</p> <p>(i) The environmental / social sustainability objectives; The Eligible Categories are framed in the context of SDGs with specific E&amp;S objectives;</p>	<p>The issuer has established internal processes for project evaluation and selection which provides for senior management involvement.</p> <p>The Eligible Categories in the Framework are framed in the context of SDGs with specific social and environmental objectives.</p>	<p>The eligibility criteria are clearly communicated in the Framework.</p>



Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<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&amp;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; (ii) The Use of Proceeds; and (iii) External review report on the process (if any)</p>	<p>The Framework details an internal process by which Eligible Projects are assessed and selected to ensure fulfillment of criteria.</p> <p>LBS will not be utilising the Sustainable Finance Proceeds for projects included in the following exclusion criteria:</p> <ul style="list-style-type: none"> <li>• Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage)</li> <li>• Child labour or forced labour</li> <li>• Adult entertainment</li> <li>• Weapons and military contracting</li> <li>• Alcohol</li> <li>• Tobacco</li> <li>• Fossil fuels</li> <li>• Nuclear; and</li> <li>• Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans.</li> </ul> <p>The issuer has appointed MARC Ratings as the external reviewer for its Framework.</p> <p>The issuer has committed to make the required information available on its corporate website.</p>	<p>The Framework outlines the internal process and governance structure by which Eligible Projects are assessed and selected to ensure the eligibility of the projects.</p> <p>Where applicable, LBS will undertake necessary processes to identify and manage potentially material environmental and social risks associated with the Eligible Projects.</p> <p>LBS also disclosed that the respective project teams will assume the responsibility for monitoring the Eligible Projects during the life of the transaction and will report to the Sustainability Committee as soon as practicable in the case where an Eligible Project no longer meets the eligibility criteria. An Eligible Project that ceases to meet the eligibility criteria can be substituted with other Eligible Project(s) that is evaluated and selected in accordance with the aforesaid procedures.</p> <p>The Framework will provide information on the process for project evaluation, and LBS will issue a progress report on an annual basis 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 its corporate website.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><b>Management of Proceeds</b></p> <p><u>SRI Sukuk Framework</u></p> <p>7.13 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.</p> <p><u>ASEAN GBS/SBS/SUS</u></p> <p>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. The total amount deployed from the net proceeds for the eligible projects need not occur simultaneously.</p> <p>4.3.3 If 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.</p> <p>4.3.4 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.</p> <p>4.3.5 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.</p>	<p>LBS will monitor the allocation of the Sukuk proceeds and the Eligible Projects portfolio internally.</p> <p>Prior to issuance, the issuer will make the Framework available to investors. The Framework describes the process for managing the net proceeds from the financing.</p> <p>The net proceeds from the issue of Sukuk will be internally tracked. LBS will invest the balance of unallocated proceeds in the permitted investment instruments in accordance with LBS' cash management policy.</p> <p>The Issuer has committed that until full allocation, the allocation of 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 proceeds raised from the outstanding Sukuk.</p> <p>The Framework discloses the temporary placement for the balance of unallocated net proceeds is subject to its liquidity management policy.</p> <p>LBS will track the allocation of funds internally.</p>	<p>An area of improvement will be to state in the Framework that LBS will ensure that the aggregate value of the Eligible Projects portfolio matches or exceeds the balance of net proceeds of outstanding Sukuk and will undertake periodic reconciliation of the tracked proceeds to allocations made to Eligible Projects.</p> <p>Issuer to ensure that the relevant information is disclosed in the documentation of the Bonds.</p> <p>The appointment of a third party to verify the internal tracking method and the allocation of funds from the Sukuk proceeds is encouraged by the ASEAN Standards to provide a high level of transparency.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><b>Reporting</b></p> <p><u>ASEAN GBS/SBS/SUS</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><b>Disclosure Requirements</b></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 utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for</p>	<p>LBS will issue a progress report on an annual basis, which will provide information on the allocation and impacts throughout the tenure of the financing facility. This report will include, among others:</p> <ul style="list-style-type: none"> <li>• Issuer/borrower entity</li> <li>• Transaction date</li> <li>• Number of transactions</li> <li>• Principal amount of proceeds</li> <li>• Repayment or amortisation profile</li> <li>• Maturity date,</li> <li>• Profit/Interest/Coupon rate</li> <li>• The ISIN number in the case of a bond or a Sukuk transaction</li> <li>• Name and description of Eligible Projects to which the net proceeds of the Sustainable Financing Transactions have been allocated in accordance with the Framework</li> <li>• Allocation of the proceeds of Sustainability Financing Transactions to Eligible Projects</li> <li>• Amount of unallocated proceeds</li> <li>• Information regarding temporary investments for unallocated proceeds</li> </ul> <p>The Issuer has committed to provide information items (a) through (h) within its Sustainable Financing Framework.</p>	<p>Updates of the external review are encouraged by the ASEAN Standards but are strictly voluntary.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>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, impact objectives from the Eligible SRI projects;</p> <p>e) The processes used by the issuer to evaluate and select the Eligible SRI projects;</p> <p>f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects;</p> <p>g) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and</p> <p>h) 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><b>External Review</b></p> <p><u>SRI Sukuk Framework</u></p> <p>7.17</p> <p>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><u>ASEAN GBS/SBS/SUS</u></p> <p>5.1</p> <p>Issuers are recommended to appoint external review providers for the bond issuances or programmes.</p> <p>5.2</p> <p>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</p> <p>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</p> <p>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>MARC Ratings has been engaged as the independent external reviewer for the Framework. The external reviewer's report will be made available on a designated website.</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. The scope of MARC Ratings' external review is set out in MARC Ratings' Impact Bond Assessment (IBA) methodology that is publicly accessible from its corporate website.</p>	<p>MARC Ratings has established a transparent score-based framework for its green, social and sustainability bond assessments analysis that is published on its website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</p>

## Review of Compliance with Green/Social Loan Principles (GLP/SLP)

**Issuer:** LBS's Sustainable Financing Framework

**Note:**

The Loan Market Association (LMA), Asia Pacific Loan Market Association (APLMA), and Loan Syndications and Trading Association (LSTA) view that it is important to provide market practitioners with clarity on their application of financing guidelines and promote a harmonised approach. Hence, APLMA, LMA and LSTA have produced guidelines to harmonise with the Green Loan Principles (GLP) and Social Loan Principles (SLP).

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><u>GLP/SLP/APLMA/LMA/LSTA</u></p> <p><b>Use of Proceeds</b></p> <p><i>The standards explicitly recognise several broad categories of eligibility for Green and/or Social Projects with the objective of addressing key areas of environmental concern such as climate change, natural resources depletion, loss of biodiversity, and air, water and soil pollution.</i></p> <p><i>The utilisation of loan proceeds for Green and/or Social Projects (including other related and supporting expenditures, including R&amp;D), should be appropriately described in the finance documents.</i></p> <p><i>Where funds are to be used, in whole or part, for refinancing, it is recommended that borrowers provide an estimate of the share of financing versus refinancing.</i></p> <p><i>A Green and/or Social loan may take the form of one or more tranches of a loan facility. In such cases, the loan tranche(s) must be clearly designated, with proceeds of the tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner.</i></p> <p><b>Process for Project Evaluation and Selection</b></p> <p><i>The borrower of a green and/or social loan should clearly communicate to its lenders:</i></p> <ul style="list-style-type: none"> <li><i>their sustainability objectives;</i></li> <li><i>the process by which the borrower determines how its projects fit within the Eligible Categories; and</i></li> <li><i>the related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks</i></li> </ul>	<p><i>All designated Green and/or Social Projects have clear environmental and/or social benefits, which will be assessed, and where feasible, quantified, measured, and reported by the company.</i></p> <p><i>Where appropriate, the company will clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Green and/or Social Projects.</i></p> <p><i>The issuer has established internal processes for project evaluation and selection which provides for senior management involvement.</i></p> <p><i>The Eligible Categories are framed in the context of SDGs with specific environmental objectives.</i></p>	

<p>associated with the proposed projects.</p> <ul style="list-style-type: none"> <li>Borrowers are encouraged to position this information within the context of their overarching objectives, strategy, policy and/or processes relating to environmental sustainability.</li> </ul> <p>Borrowers are also encouraged to disclose any green standards or certifications to which they are seeking to conform.</p> <p><b>Management of Proceeds</b> The proceeds of a green and/or social loan should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner, so as to maintain transparency and promote the integrity of the product.</p> <p>Where a green and/or social loan takes the form of one or more tranches of a loan facility, each tranche(s) must be clearly designated, with proceeds of the green tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner.</p> <p>Borrowers are encouraged to establish an internal governance process through which they can track the allocation of funds towards Green and/or Social Projects.</p> <p><b>Reporting</b> Borrowers should make and keep readily available up to date information on the Use of Proceeds to be renewed annually until fully drawn, and as necessary thereafter in the event of material developments.</p> <p>This should include a list of the Green and/or Social Projects to which the green and/or social loan proceeds have been allocated and a brief description of the projects and the amounts allocated and their expected impact.</p> <p>Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the GLP/SLP recommend that information is presented in generic terms or on an aggregated project portfolio basis. Information need only be provided to those institutions participating in the loan.</p>	<p>The net proceeds from the issue of loans will be internally tracked. LBS will invest the balance of unallocated proceeds in the permitted investment instruments in accordance with LBS' cash management policy.</p> <p>LBS will issue a progress report on an annual basis, which will provide information on the allocation and impacts throughout the tenure of the financing facility. This report will include, among others:</p> <ul style="list-style-type: none"> <li>Issuer/borrower entity</li> <li>Transaction date</li> <li>Number of transactions</li> <li>Principal amount of proceeds</li> <li>Repayment or amortisation profile</li> <li>Maturity date,</li> <li>Profit/Interest/Coupon rate</li> <li>The ISIN number in the case of a bond or a Sukuk transaction</li> <li>Name and description of Eligible Projects to which the net proceeds of the Sustainable Financing Transactions have been allocated in accordance with the Framework</li> <li>Allocation of the proceeds of Sustainability Financing Transactions to Eligible Projects</li> <li>Amount of unallocated proceeds</li> <li>Information regarding temporary investments for unallocated proceeds</li> </ul>	
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<p><i>Transparency is of value in communicating the expected impact of projects. The GLP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures (for example, energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, etc.) and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. Borrowers with the ability to monitor achieved impacts are encouraged to include those in regular reports.</i></p> <p><b>External Review</b> <i>When appropriate, an external review is recommended. There are a variety of ways for borrowers to obtain outside input into the formulation of their green and/or social loan process and there are several levels and types of review that can be provided to those institutions participating in the loan.</i></p> <p><i>An external review may be partial, covering only certain aspects of a borrower's green and/or social loan or associated green and/or social framework or full, assessing alignment with all four core components of the GLP/SLP. It should be made available to all institutions participating in the green and/or social loan on request. When appropriate, and considering confidentiality and competitive considerations, borrowers should make publicly available the external review, or an appropriate summary, via their website or otherwise.</i></p>	<p><i>MARC Ratings has been engaged as the independent external reviewer for the Framework. The review conducted by MARC Ratings is a full review and addresses alignment with all four components of the relevant standards.</i></p> <p><i>MARC Ratings is registered with the Securities Commission Malaysia 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 publicly accessible from its corporate website.</i></p>	<p><i>MARC Ratings has established a transparent score-based framework for its green, social and sustainability loan assessments analysis that is published on its website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</i></p>
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## THE UN SUSTAINABLE DEVELOPMENT GOALS

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

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