

MARC

MARC RATINGS BERHAD

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MALAYSIA RAIL LINK SDN BHD

**PRE-ISSUANCE SDG SUKUK FRAMEWORK
ASSESSMENT**

MARCH 2024



**SDG SUKUK
FRAMEWORK ASSESSMENT**

MARC Ratings Berhad has been engaged by Malaysia Rail Link Sdn Bhd (Company Registration No: 201601032094 (1203035K)) as an independent external reviewer for its SDG Sukuk Framework. This external review was conducted according to the analytical framework in MARC Ratings' Impact Bond Assessment methodology that is published on its website.

Publication date: March 11, 2024

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SUMMARY

Malaysia Rail Link Sdn Bhd (MRL) (Company Registration No: 201601032094 (1203035K)) has engaged MARC Ratings Berhad to review its SDG Sukuk Framework (the Framework).

MARC Ratings' external review consists of three parts: an impact significance analysis based on MRL's 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 Sustainable and Responsible Investment (SRI) Sukuk Framework of the Securities Commission Malaysia (SC) or as they may be subsequently updated or amended; and an evaluation of MRL's sustainability implementation capacity and performance.

The Framework has been developed to demonstrate how MRL intends to fund projects through the SDG Sukuk that will deliver environmental and social benefits in close alignment with the United Nations Sustainable Development Goals (SDGs). 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 will be used exclusively to finance or refinance, in whole or in part, new or existing development expenditures with social and/or green focus in one or more of the eligible categories defined in the Framework.

To ensure proper governance, MRL has set up various functions including Corporate Social Responsibility, Risk Management, Anti-bribery Management and Project Governance frameworks. The ECRL Project team will be responsible for monitoring and assessing the social and environmental viability of the activities executed within the project period.

The net proceeds from the financing will be managed internally. MRL will create an SDG Sukuk register to monitor the allocation of the proceeds raised based on this Framework. The Framework aligns MRL's post-issuance tracking and reporting on Use of Proceeds with the SC's SRI Sukuk Framework. The SDG Sukuk Report to be prepared by MRL annually will include information regarding the amount of proceeds allocated based on eligible category, amount of proceeds allocated for financing and refinancing, respectively, remaining balance of unallocated proceeds, description of green and/or social projects, as well as impact indicators for each eligible category where information is available. Where feasible, MRL 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.

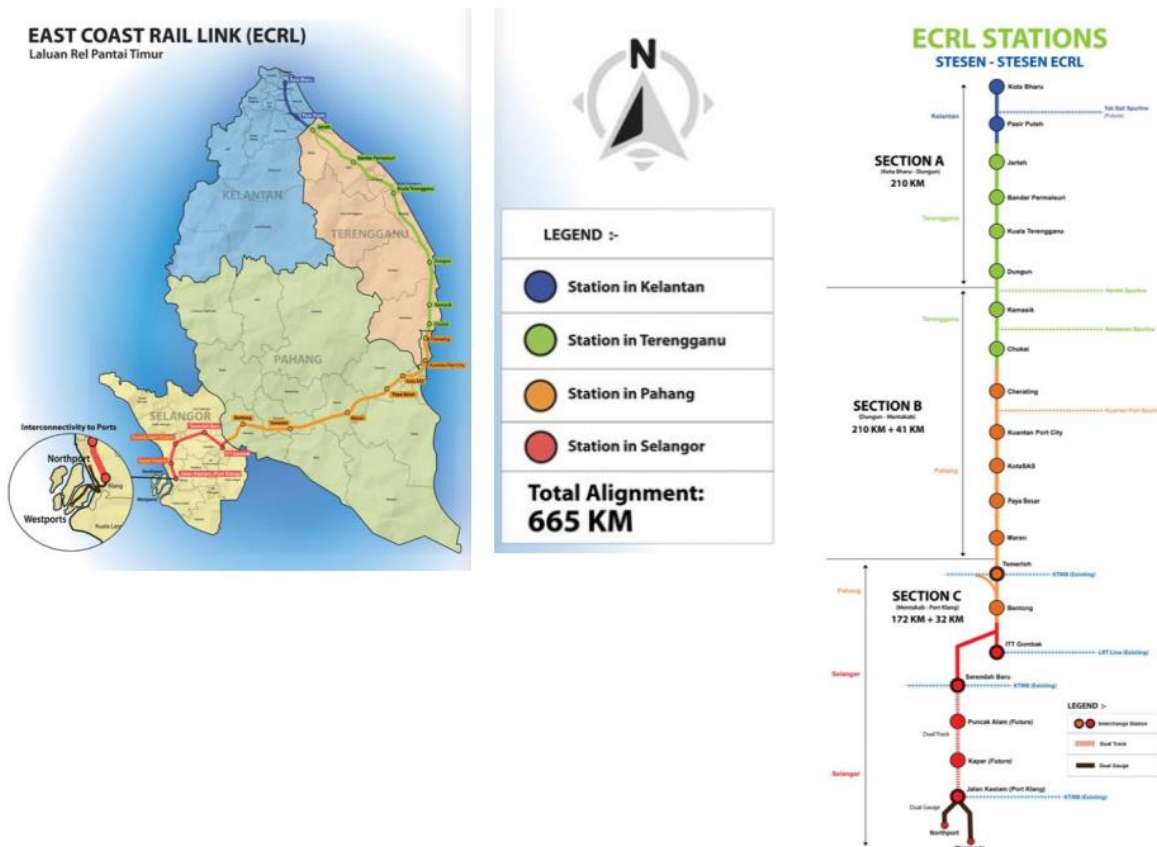
Based on our review of the relevant documentation and assessment as per our Impact Bond Assessment (IBA) methodology, MARC Ratings has assigned a **"Gold"** assessment to the Framework. MARC Ratings also opines that the Framework is correspondingly aligned with the core components of the GBP/ SBP/ SBG, ASEAN GBS/ SBS/ SUS, and the SRI Sukuk Framework.

Introduction

MRL was incorporated on September 26, 2016, as a special purpose vehicle (SPV) company wholly owned by Malaysia's Ministry of Finance (MOF). MRL was established to manage as project owner, facilitate, undertake, and expedite the construction of the East Coast Rail Link project (ECRL or the "Project") approved by the government. MRL intends to raise RM10.21 billion from the issuance of the SDG Sukuk programme which will be allocated towards the Project.

ECRL is an electrified railway project that aims to connect the East Coast states of Kelantan, Terengganu, and Pahang to the Greater Klang Valley region. As part of the East Coast Economic Region (ECER) Masterplan, ECRL is poised to promote equitable growth between the east and west coasts of Peninsular Malaysia. The Engineering, Procurement, Construction, and Commissioning (EPCC) contract for the ECRL Project has been awarded to the China Communications Construction Company Ltd (CCCC).

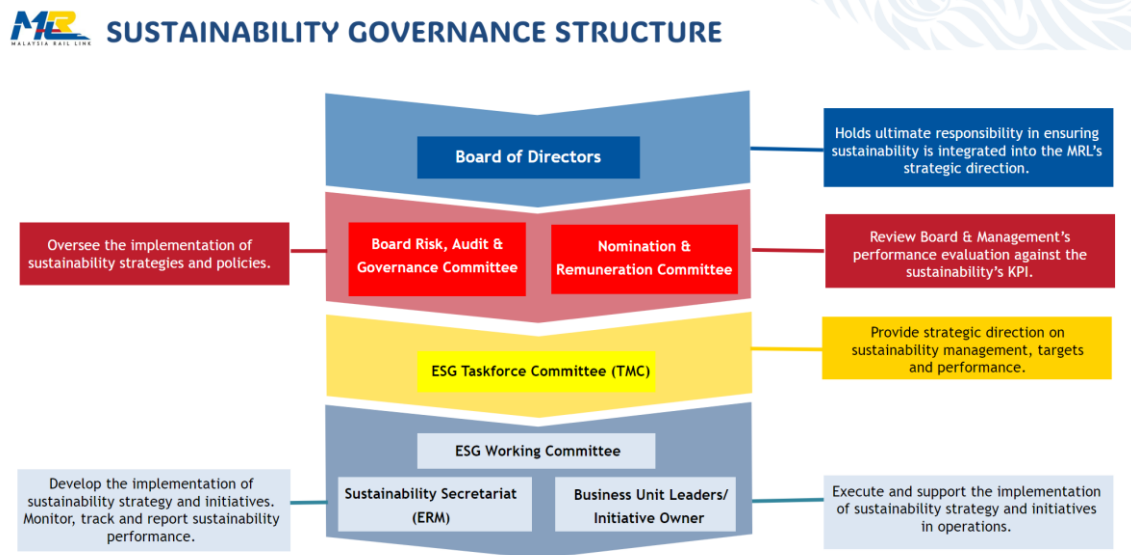
Based on available information, the 665-km rail network will include 10 passenger stations and 10 combined passenger and freight stations, four interchanges connecting existing services, and extensions to key ports, facilitating economic development and reducing travel times. At speeds of up to 160km/h, the ECRL passenger trains significantly reduce travel time from Kota Bharu to the Gombak Integrated Transport Terminal to approximately 4 hours from an average of 7 hours by road. Anticipated for completion by end-2026 and operational in 2027, the ECRL is poised to stimulate commercial activities, attract investments, generate job opportunities, and promote tourism along its rail network.



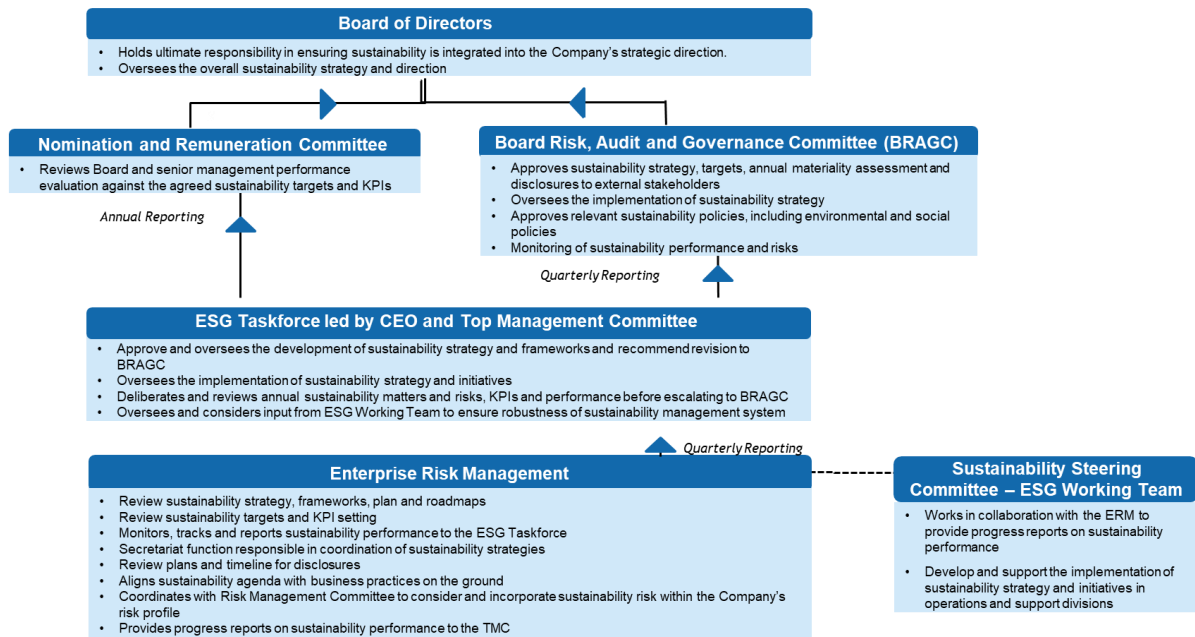
Sustainability Governance Structure

Based on information gathered, MRL's Board of Directors (BOD) holds the ultimate responsibility in ensuring sustainability is integrated into the Company's strategic direction. The sustainability oversight by the BOD is integrated through the establishment of several board sub-committees including the Board Risk, Audit & Governance Committee (BRAGC) and the Nomination & Remuneration Committee (NRC).

The process to identify, mitigate, monitor and report environmental, social, and governance (ESG) risks is guided by the Risk Management Process, in line with MRL's Enterprise Risk Management (ERM) Policy & Framework. All identified ESG issues and risks are reported to the ESG Taskforce Committee, which consists of the Top Management Committee (TMC), led by the Chief Executive Officer. Subsequently, the major and critical ESG risks are reported to the BRAGC and BOD.

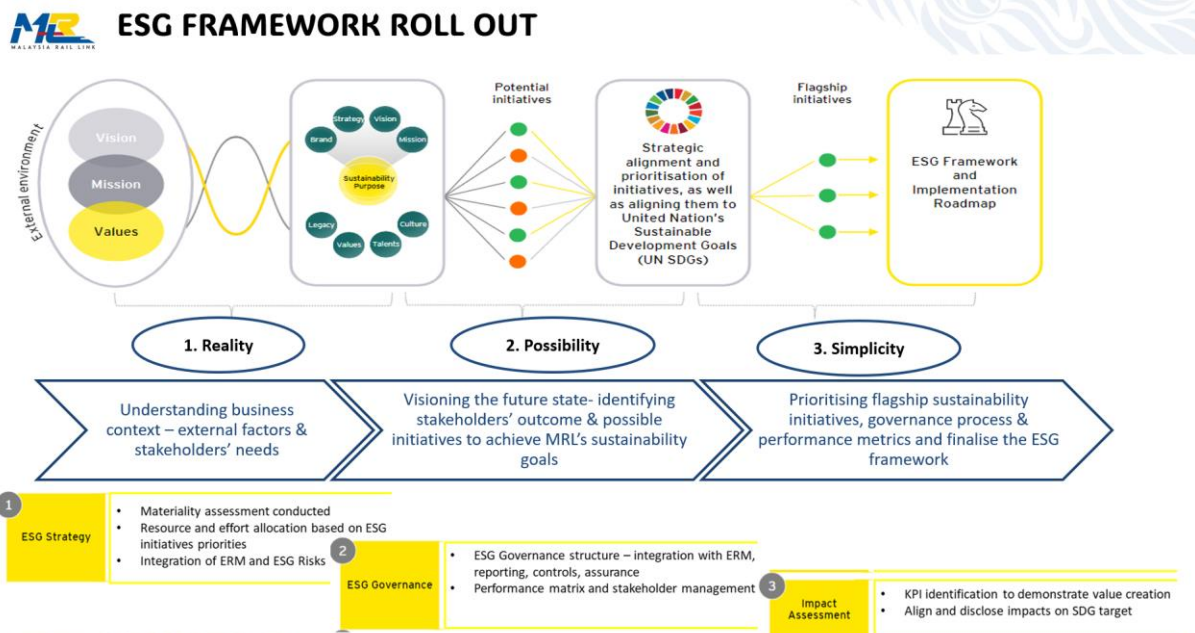


MRL Sustainability Governance Structure – Roles & Responsibilities



Sustainability Framework

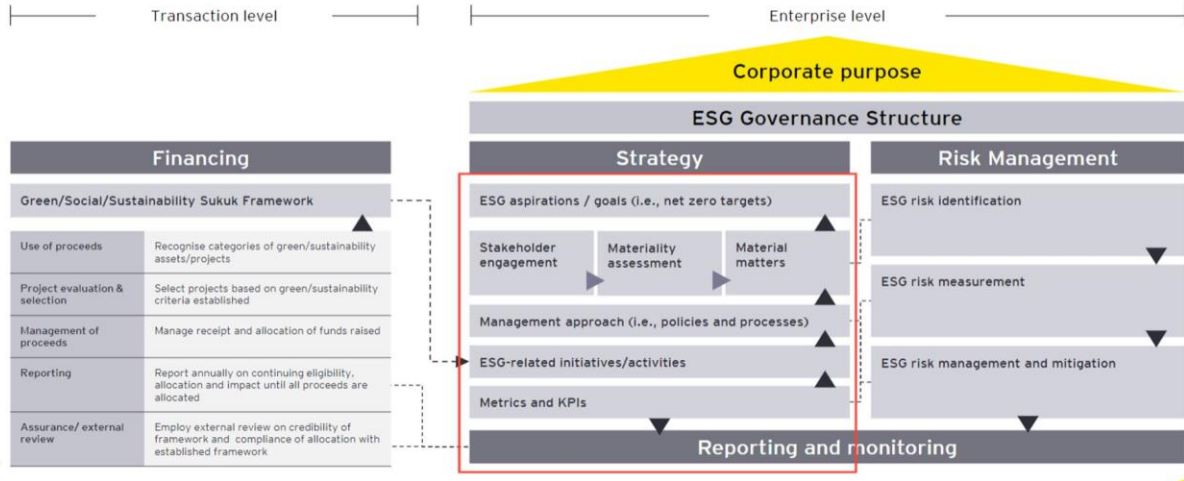
As the development enabler for the country with its potential to reshape the East Coast region economic landscape, MRL intends to develop the Project responsibly, taking preventive measures to protect the environment and natural heritage, as well as developing the untapped pool of local, home-grown talent for more sustainable growth for the nation. As part of its ESG journey, MRL has launched their ESG Framework, which will guide MRL's overall sustainability integration, supported by their SDG Sukuk Framework that aims to ensure that the funds are channeled to sustainable projects.



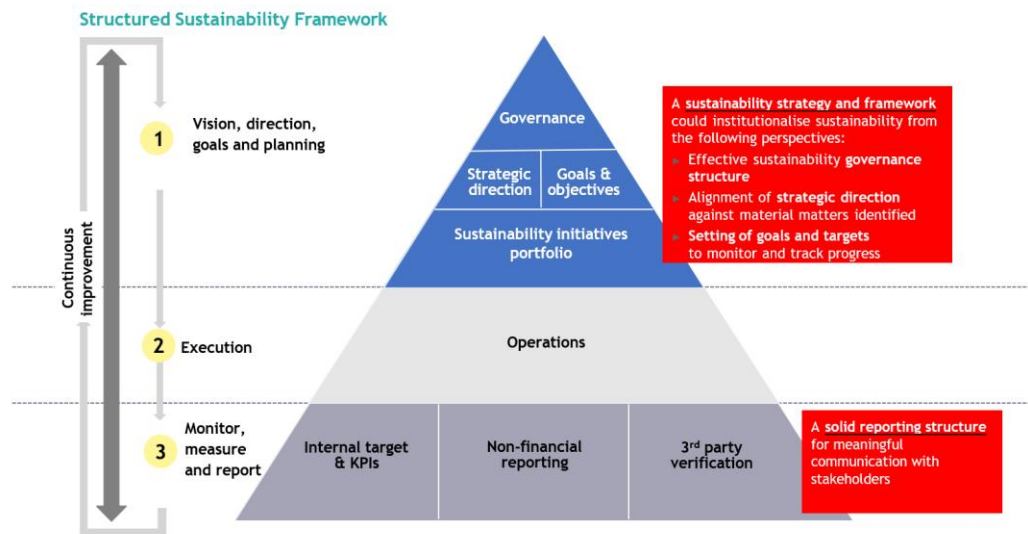


ESG FRAMEWORK AND GREEN SUKUK FRAMEWORK OF MRL

- ❑ An ESG Framework guides MRL's overall integration of ESG considerations
- ❑ Green SUKUK Framework supports the implementation of the ESG-related initiatives in ensuring funds are channeled to green/sustainable projects



MRL SUSTAINABILITY FRAMEWORK



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COMPLIANCE REVIEW FORM

01 IMPACT SIGNIFICANCE ANALYSIS

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


The SDG Sukuk Framework has been developed to demonstrate how MRL intends to fund projects through SDG Sukuk that will deliver environmental and social benefits in close alignment with SDGs. The net proceeds of the SDG Sukuk will be used to finance or refinance, in whole or in part, new or existing development expenditures with social and/or green focus.


The Framework defines six broad Eligible Categories for the Use of Proceeds which cumulatively support 5 of the 17 UN SDGs, and the Eligible Categories are as follows:


1. Clean Transportation
2. Energy Efficiency
3. Pollution Prevention and Control
4. Sustainable Management of Natural Resources
5. Socioeconomic Advancement and Empowerment
6. Affordable Basic Transport Infrastructure


ELIGIBLE CATEGORIES FOR USE OF PROCEEDS

Eligible Green Projects

1	Clean Transportation		
	Eligibility Criteria:		
	Development of clean public transportation systems, in line with the government's sustainability agenda and the National Transport Policy (NTP) 2019-2030 strategy.		
	Example of Eligible Projects:		
	<ul style="list-style-type: none"> • Electrified rail project - ECRL 		
	Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> • To provide infrastructure enabling clean public transportation systems 	<ul style="list-style-type: none"> • Reduction in greenhouse gas (GHG) emissions via the development and construction of electric rail project, with an estimated reduction amount of 1 million tonnes 	 <p>Alignment to the UN SDG:</p> <p>UN SDG 11, Target 11.2</p> <ul style="list-style-type: none"> • Making cities and human settlements inclusive, safe, resilient, and sustainable through the provision of access to affordable and accessible
	<ul style="list-style-type: none"> • To mitigate the effects of climate change and reduce carbon footprint of transportation 		

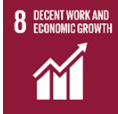

		of CO ₂ equivalent (CO ₂ e) per year	transport systems for all by expanding public transport Indicative measurement: <ul style="list-style-type: none">Annual GHG emissions reduced/avoided (tonnes of CO₂e)
2	Energy Efficiency		
	<p>Eligibility Criteria:</p> <p>Installation, maintenance, and replacement of existing equipment with energy efficient devices.</p> <p>Examples of Eligible Projects:</p> <ul style="list-style-type: none"> Replacement of station luminaires with light-emitting diodes (LED) Installation of sensor systems 		
	Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> To improve the operating efficiency of the transportation infrastructure To invest in and implement technologies that reduce emissions and energy waste identified through the project team's feasibility studies 	<ul style="list-style-type: none"> Reduction in energy consumption. Improving operational efficiency of the ECRL project. Contributing towards GHG emission reduction 	<div>  <p>7 AFFORDABLE AND CLEAN ENERGY</p> </div> <p>Alignment to the UN SDG:</p> <p>UN SDG 7, Target 7.3</p> <ul style="list-style-type: none"> Improvement in energy efficiency to ensure access to sustainable energy for all <p>UN SDG 7, Target 7a</p> <ul style="list-style-type: none"> Facilitate access to energy efficiency technology and promote investment in energy infrastructure <p>Indicative measurement:</p> <ul style="list-style-type: none"> Energy reduction per distance travelled based on the proposed solution (kWh/km). Reduction in electricity consumption (kWh)

3	Pollution Prevention and Control		
Eligibility Criteria:			
Installation and maintenance of systems that minimise pollution (e.g. air, water or waste) in ECRL’s operations.			
Examples of Eligible Projects:			
<ul style="list-style-type: none">• Installation and maintenance of air filtration systems and noise barriers			
	Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
	<ul style="list-style-type: none">• To mitigate potential environmental impacts including risks of erosion and landslides, water pollution, flooding, social impacts, and noise pollution• To adopt technological innovations that ensure climate resilience and environmental sustainability	<ul style="list-style-type: none">• Preventing air, water, land, and noise pollution• Reducing air pollutants such as PMO, NOx and SOx through the installation of air filtration systems• Minimising the risks of landslides, soil erosion and water pollution through construction of tunnel	<div><div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div></div></div><div>Alignment to the UN SDG:</div><div>UN SDG 12, Targets 12.4</div><ul style="list-style-type: none">• Achieving environmentally sound management of wastes throughout their life cycle, and significantly reduce their release to air, water, and soil in order to minimise their adverse impacts on human health and the environment<div>UN SDG 12, Targets 12.5</div><ul style="list-style-type: none">• Substantially reduce waste generation through prevention, reduction, recycling and reuse<div>Indicative measurement:</div><ul style="list-style-type: none">• Air pollutants reduction (PMO/ NOx/ SOx, in %)</div>
4	Sustainable Management of Natural Resources		
Eligibility Criteria:			
Habitat and biodiversity conservation through sustainable management of land use and forestry, guided by the Environmental Management Plan and Wildlife Management Plan.			
Example of Eligible Projects:			
<ul style="list-style-type: none">• Construction of tunnels along the track which aims to reduce the loss of forest reserves• Forestry research, habitat enrichment and restoration programme• Wildlife Management Plan to minimise and monitor impacts on wildlife and their habitats			

Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> To preserve flora and fauna species through conservation efforts To minimise impacts on the environment and wildlife while maximising the development benefit to the local populace 	<ul style="list-style-type: none"> Reducing the requirement to acquire forest land from 2,000 hectares to 276 hectares Minimising threats associated with significant loss of biodiversity and wildlife species Preserving forest and wildlife. 	 <p>Alignment to the UN SDG:</p> <p>UN SDG 15, Target 15.5</p> <ul style="list-style-type: none"> Reduce the degradation of natural habitats, minimise the loss of biodiversity, and protect and prevent the extinction of threatened species <p>UN SDG 15, Target 15a</p> <ul style="list-style-type: none"> Mobilise and significantly increase financial resources to conserve and sustainably use biodiversity and ecosystems <p>UN SDG 15, Target 15.7</p> <ul style="list-style-type: none"> End poaching and trafficking of protected species of flora and fauna <p>Indicative measurement:</p> <ul style="list-style-type: none"> Area conserved or protected in m² Number and nature of projects that support climate change adaptation/resilience Number of wildlife species conserved

Eligible Social Projects

1	Socioeconomic Advancement and Empowerment
	<p>Eligibility Criteria:</p> <p>Funding of upskilling of locals through technical training, which eventually offers employment opportunity to successful trainees.</p> <p>Examples of Eligible Projects:</p> <ul style="list-style-type: none"> Industrial Skills Training Programme Appointment of local subcontractors and suppliers

Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> To upskill locals with technical training aligned with the Malaysian industry standard To ensure participation of local and Bumiputera contractors in the ECRL project To promote a safe working environment 	<ul style="list-style-type: none"> Providing capacity building for local workforce to ensure agility and relevancy in the ever-evolving transportation industry Providing employment opportunities for local communities 	 <p>Alignment to the UN SDG:</p> <p>UN SDG 8, Target 8.3</p> <ul style="list-style-type: none"> Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all through 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, including through access to financial services <p>Indicative measurement:</p> <ul style="list-style-type: none"> Number of jobs generated Number of local population supported
2 Affordable Basic Transport Infrastructure		
<p>Eligibility Criteria:</p> <p>Provision of land transport services to foster inclusivity for community which would not have access to these services under normal operations or circumstances.</p> <p>Example of Eligible Projects:</p> <ul style="list-style-type: none"> ECRL rail network that will help connect cities and towns and upgrade public transport in rural areas 		
Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> To connect cities and towns and upgrade public transport in rural areas 	<ul style="list-style-type: none"> Achieving equitable growth and development between the east and west coasts of Peninsular Malaysia 	 <p>Alignment to the UN SDG:</p>

<ul style="list-style-type: none"> To ensure that the public has easy access to reliable transport services, which will significantly reduce travel times 	<ul style="list-style-type: none"> Enhancing the quality of life through delivery of affordable and accessible transport system Enable connectivity among Malaysian communities 	<p>UN SDG 11, Target 11.2</p> <ul style="list-style-type: none"> Making cities and human settlements inclusive, safe, resilient, and sustainable through the provision of access to affordable and accessible transport systems for all by expanding public transport <p>Indicative measurement:</p> <ul style="list-style-type: none"> Number of passengers, or passenger-km
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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 MRL intends to issue financing instruments. The six (6) eligible green and social categories identified in the Framework align with the project categories recognised by ICMA's GBP/SBP/SBG, ACMF's ASEAN GBS/SBS/SUS, and SC's SRI Sukuk Framework.

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

Green Category:

- Clean transportation (UN SDG 11);
- Energy efficiency (UN SDG 7);
- Pollution prevention and control (UN SDG 12); and
- Sustainable Management of Natural Resources (UN SDG 15)

Social Category:

- Socioeconomic advancement and empowerment (UN SDG 8); and
- Affordable basic transport infrastructure (UN SDG 11)

Overall, the anticipated impact of the Use of Proceeds is assessed to be "Significant", considering its potential to contribute to an advanced and transformative sustainable development. The expected sustainability benefits of the Use of Proceeds are highly aligned with MRL's sustainability approach, the UN SDGs, and national sustainable development priorities.

<input 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 realization 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"/>	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 GBP/ SBP/ SBG, ASEAN GBS/ SBS/ SUS AND SC'S SRI SUKUK FRAMEWORK

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 SDG Sukuk 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 eligibility criteria recognised by GBP/ SBP/ SBG, ASEAN GBS/ SBS/ SUS, and the SRI Sukuk Framework.

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

1. Clean Transportation
2. Energy Efficiency
3. Pollution Prevention and Control
4. Sustainable Management of Natural Resources
5. Socioeconomic Advancement and Empowerment
6. Affordable Basic Transport Infrastructure

MRL commits to provide information on the allocation of proceeds to new financing versus refinancing as part of the allocation reporting to be carried out post-issuance.

A register of Eligible Projects will be maintained by MRL 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, and the SRI Sukuk Framework.



Principle Two: Process for Project Evaluation and Selection

The following processes have been undertaken for evaluation and selection of Eligible Projects:

- (a) Establishing Corporate Social Responsibility, Risk Management, Anti-bribery Management, and Project Governance frameworks to ensure proper governance of the Project.
- (b) Implementing action plans, key performance indicators, policies, and procedures to ensure that the social and environmental well-being of the Project is preserved. The responsibility of monitoring and assessing the social and environmental viability of the activities executed during the construction and operation period will fall under the project team.
- (c) Appointing the Key Management team to be responsible for driving the sustainability initiatives and reporting to the Board.

MRL has undertaken necessary processes to identify and manage potentially material environmental and social risks associated with the Eligible Projects. Various studies and evaluations have been conducted to identify the potential impacts, including Environmental Impact Assessment (EIA), Environmental Management Plan and an Erosion and Sediment Control Plan, flood study, Wildlife Management Plan, flora survey, and Social Impact Assessment.

In MARC Ratings' opinion, the processes and governance in place ensure compliance with the requirements.



Principle Three:
Management of
Proceeds

The SDG Sukuk Proceeds raised shall be allocated to the Eligible Projects selected as per the evaluation and approval process set out above.

MRL will create an SDG Sukuk register to monitor the allocation of the use of proceeds. The Register will contain (where applicable) the following information for each SDG Sukuk issued:

- Identifier for the sukuk: Issuing entity, ISIN, transaction or listing date, principle amount outstanding, pricing (such as coupon or interest rate), repayment schedule or amortisation profile, and maturity date.
- Allocation details: Eligible categories, amount of investment, and other relevant information.

During the tenure of the SDG Sukuk, if any Eligible Project ceases to fulfil the requirements set out in the Framework, MRL will identify other assets that comply with the Framework and allocate the proceeds to the newly identified Eligible Projects as soon as reasonably practicable.

Where the allocation of proceeds is pending due to there being insufficient approved Eligible Projects at any given time during the tenure of the sukuk, MRL will deploy the proceeds at its own discretion in cash instruments in accordance with its cash investment policy in the interim.

In MARC Ratings' opinion, the procedures and governance in place provide assurance that the financing proceeds would be tracked appropriately.

MRL will publish allocation and impact reporting annually until the maturity of the SDG Sukuk Transactions and such reporting will be made available at www.mrl.com.my.



Principle Four:
Reporting

Allocation Reporting

- The section on allocation in the SDG Sukuk Report will include, among others:
 - Amount of allocated proceeds by eligible category.
 - Amount of allocated proceeds for financing and refinancing.
 - Remaining balance of unallocated proceeds at the end of the reporting period, if any.
 - Description of green and/or social projects.

Impact Reporting

Where possible, MRL 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, MRL aims to include the impact indicators accordingly.

External verification will be carried out by a monitoring accountant engaged by MRL to review its SDG Sukuk Report, including the internal tracking method, allocation of net proceeds and the impact of its SDG Sukuk, on an annual basis. Such annual review will be made available on the designated website.

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

Overall, MARC Ratings considers the Framework to be aligned with the core components of the respective standard regarding the Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting (including Disclosures).

Overall Assessment

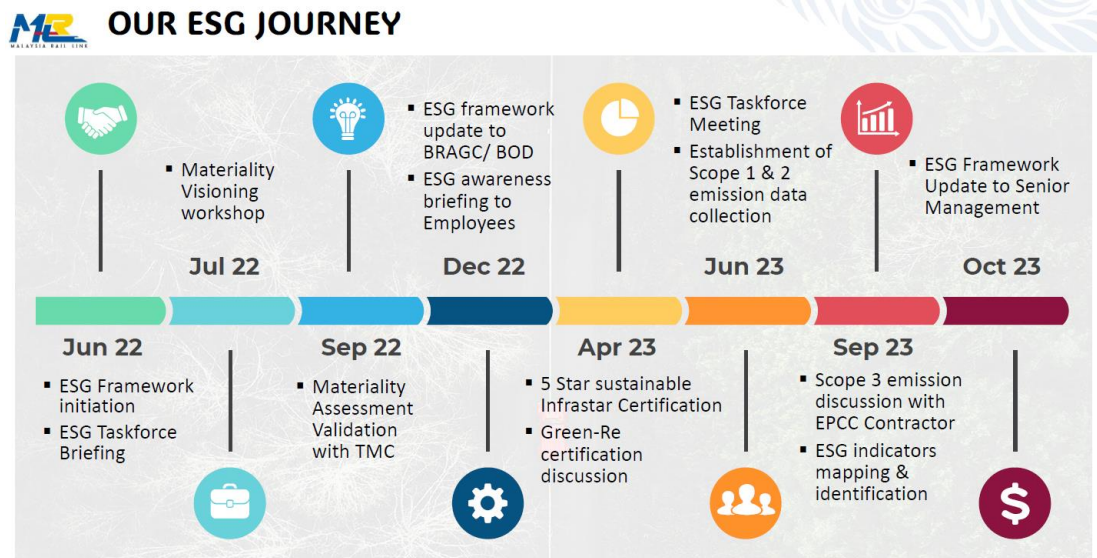
	Clarity of Issuance Process and Disclosure	Total Score
<input checked="" type="checkbox"/>	High	10 – 12 points
<input type="checkbox"/>	Good	7 – 9 points
<input type="checkbox"/>	Satisfactory	4 – 6 points
<input type="checkbox"/>	Low	Below 4 points

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

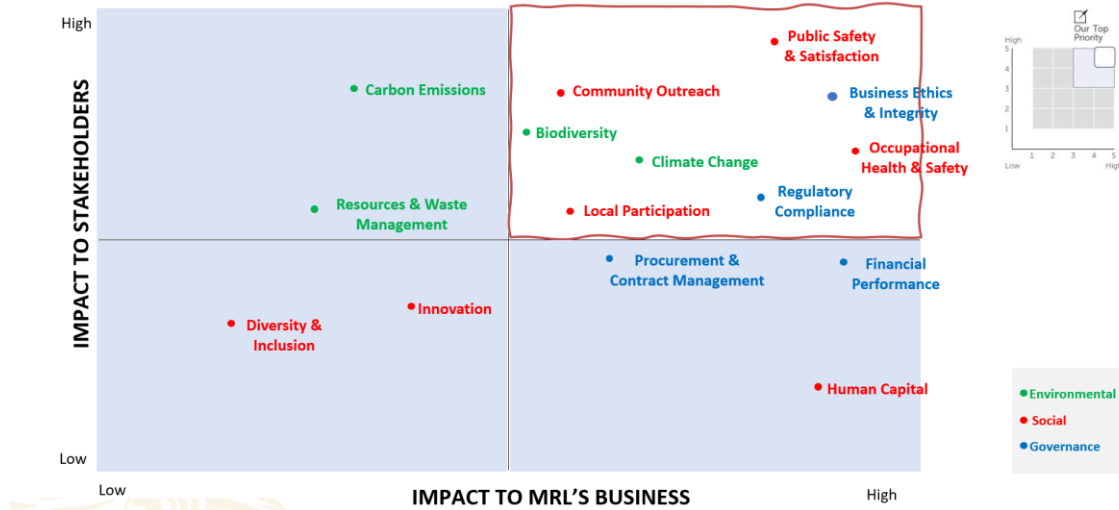
Established with the purpose of administering the implementation of the ECRL, MRL has been integrating sustainability into their operation since the establishment of their ESG Framework in June 2022.



MRL conducts regular engagement with the various stakeholders, including the local population, contractors, suppliers, government, and state departments. Through these engagements, MRL has formulated their materiality matrix, which helps identify their sustainability focus areas. MRL's top priority includes public safety and satisfaction, business ethics and integrity, occupational health and safety, community outreach, biodiversity, climate change, local participation, and regulatory compliance. These focus areas are aligned with the material issues listed in Morgan Stanley Capital International's (MSCI) ESG Industry Materiality Map and Sustainability Accounting Standards Board's (SASB) Materiality Finder under the Rail Transportation industry.



MRL'S MATERIALITY MATRIX



Project Evaluation through Environmental Impact Assessment (EIA)

The ECRL project spans across diverse landscapes, including hilly terrain and dense forests. The project team works to improve the rail alignment so that impacts on the environment and wildlife could be minimised. An EIA has been carried out to improve project design and to meet the project's sustainability objectives. The EIA reports have been prepared and approved in phases for each section, namely Section A, Section B, Section C, and KPC Realignment. Their respective approval dates are as follows:

	SECTION A	SECTION B	SECTION C2	KPC
Approval Date	13 th Mar 2020	26 th Apr 2018	20 th Dec 2021	15 th Sept 2021

The potential environmental impacts identified by the EIA include the risks of erosion and landslides, water pollution, flooding, social impacts, and noise pollution. The ECRL team works closely with the Department of Environment and other pertinent government entities to ensure the proper implementation of protective measures.

Based on the EIA Report for Section C2 of the ECRL Project conducted by ERE Consulting Group, several environmental and social benefits had been identified:

- Greenhouse Gas Avoidance
 - The estimated cumulative net CO₂e emissions avoided for year 2025, 2035 and 2045 are 74,640 MT CO₂e /year, 128,617 MT CO₂e /year and 202,848 MT CO₂e /year, respectively¹.
- Job Creation

¹ The quantification of emission offsets will be calculated using "Mobile Combustion: GHG Emissions Calculation Tool Version 2.6" developed by the World Resources Institute (WRI), utilising emission factors derived from the United Kingdom Department for Environment, Food & Rural Affairs (UK DEFRA), the United States Environmental Protection Agency (USEPA), and the Intergovernmental Panel on Climate Change's (IPCC) 2006 Guidelines for National Greenhouse Gas Inventories.

- Employment and business opportunities will be generated during the construction and throughout the operations of ECRL.
- **Contributes Towards National Economic Growth and Competitiveness**
 - The enhanced connectivity provided by the ECRL is anticipated to foster inter-regional trading and service exchange, resulting in economic growth that benefits both national and local governments through higher tax revenues.
- **Enhances Quality of Life**
 - A substantial reduction in travel time between the East Coast and West Coast is advantageous for the local population, along with the safety and comfort of train journeys.
- **Improves Income Growth and Standard of Living**
 - Positive economic growth in various sectors, including manufacturing, mining, education, tourism, and commercial agriculture, leads to increased income levels for the people in the region, ultimately improving their standards of living.
- **Provide Freight Relief and Enhance Freight Transport Capacity**
 - The ECRL can potentially alleviate the dependency of freight trains on the Keretapi Tanah Melayu Berhad (KTMB) line by utilising the Serendah Bypass, supporting the development of Serendah as the Regional Cargo Hub in Peninsular Malaysia, as well as easing the congestion at Kuala Lumpur Sentral (KL Sentral) which poses potential accident risks.
 - Enhancement of rail transportation is a viable alternative due to its ability to carry larger loads compared to land transportation that has capacity limitations and sea transportation that now faces severe delays, congestion, as well as increase in freight charges.

The team has also developed an Environmental Management Plan and an Erosion and Sediment Control Plan to elaborate on the specific protective measures that will be enacted throughout the construction phase. The construction of the project will incorporate 41 tunnels along the track, leading to a substantial decrease in the loss of forest reserves. This initiative aims to preserve important forest habitats, and a reduction in hill cutting is anticipated to minimise the risks of landslides, soil erosion, and water pollution. In preparation, MRL has worked with the Forestry Department of Peninsular Malaysia to conduct expeditions and a series of flora surveys in the affected areas.

The ECRL Project team, in collaboration with the Department of Wildlife and National Parks Peninsular Malaysia, has also undertaken wildlife surveys through camera trapping along the alignment to ascertain the wildlife population. To minimise and monitor impacts on wildlife and their habitats, a comprehensive Wildlife Management Plan has been devised. The ECRL will incorporate wildlife underpasses of varying sizes strategically placed along its alignment to minimise the impact of habitat fragmentation and ensure the safety of animals crossing the tracks. Approximately 127.76 km of the ECRL tracks will be built on elevated viaducts to facilitate unrestricted wildlife movement and safeguard Malaysia's national heritage. A grant amounting to RM9,157,361.80 has also been allocated by CCCC to carry out wildlife surveys, surveillance, and conflict mitigation.

Local Participation

Proactive efforts have been taken to ensure the participation of local contractors and suppliers of building materials in the ECRL project. MRL and CCCC have reached an agreement for CCCC to appoint local sub-contractors and suppliers for a minimum of 40% of the civil works, excluding tunnelling

works. The value of works is estimated to be up to RM10 billion for the implementation of the project from 2017 to 2026.

Aiming to enhance the involvement of local and Bumiputera contractors in the ECRL project, a special committee chaired by the Secretary General of the Ministry of Transport was established to ensure the effective participation of qualified local companies. A systematic registration and pre-qualification process has been implemented for local contractors, facilitating the registration and pre-qualification of local contractors for potential tender invitations from CCCC. CCCC has also agreed to accord special attention on the appointment of small contractors from the G1-G3 categories, so that the contractors, as well as the overall construction industry players in the country, could directly benefit.

Furthermore, local contractors appointed by CCCC are also eligible to apply for project loan financing through Small Medium Enterprise Development Bank Malaysia Bhd (SME Bank), as outlined in a tri-partite Memorandum of Understanding signed between MRL, CCCC, and SME Bank on November 18, 2019. This initiative ensures local contractors are supported by financing options to complete works as per schedule and meet CCCC's standards.

ECRL Industrial Skills Training Programme (PLKI-ECRL)

With the objective to upskill local individuals through technical training that aligns with Malaysian industry standards, the two-month PLKI-ECRL is open to individuals aged 18 years and above who possess proficiency in reading, counting, and writing. The PLKI-ECRL programme partners with various government bodies, including Kementerian Belia & Sukan, Akademi Binaan Malaysia, Kementerian Sumber Manusia, and Universiti Malaysia Pahang.

Sponsored by CCCC, with an allocation of RM11 million for the construction phase, the programme covers all expenses, including training, accommodation, and meals throughout its duration. The programme is scheduled from 2020 to 2026, continuing until the completion of the ECRL project. Successful trainees are eligible for eventual employment opportunities with ECRL EPCC contractors and sub-contractors.

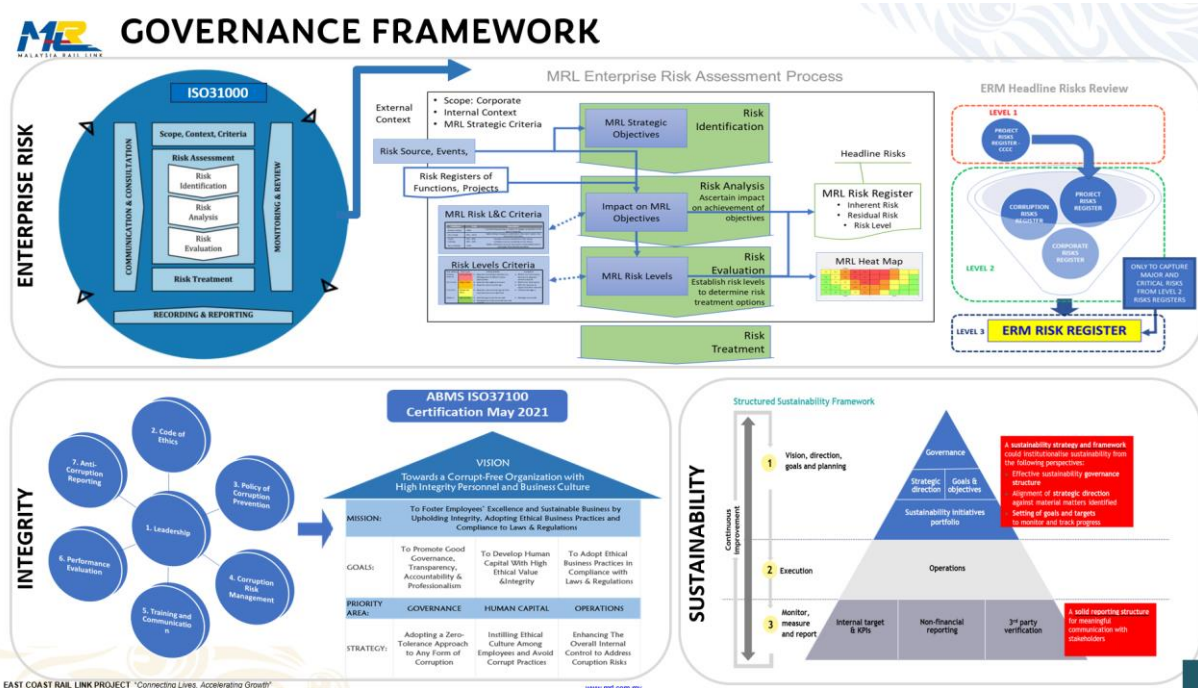
Sustainability Governance and Risk Management

MRL has in place a Code of Business Ethics (COBE) which governs MRL's business relationship dealings with various stakeholders, encompassing ESG-related matters including Labor Practices and Universal Human Rights, Whistleblowing, Ethical Dealing and Health, Safety, Security and Environment (HSSE). Besides COBE, MRL has also established various policies including an Anti-Bribery Management System (ABMS) Policy & Framework, Whistleblowing Policy, Gift Policy, and Organizational Anti-Corruption Plan.

To ensure that MRL employees have the relevant knowledge on anti-bribery, corruption, integrity, and ethics, MRL conducts relevant awareness programmes and regular trainings tailored to the bribery and corruption risk associated with each position. The anti-bribery training is also integrated into the induction programme for new employees.

MRL has adopted an integrated Risk Management approach by broadening the scope of the Risk & Compliance Division to include Sustainability functions, aligning them with existing functions such as Enterprise Risk Management (ERM), Business Continuity Management (BCM), Integrity & Governance, and Legal. This comprehensive approach enables MRL to effectively oversee and address a wide range of risks, including those related to ESG.

The overall governance framework at MRL is guided by the ERM Management Policy & Framework (consistent with ISO31000:2018), the Anti-Bribery & Anti-Corruption (ABAC) Policy & Framework, and the Sustainability Framework. This ensures that relevant best practices and applicable standards are consistently integrated and applied across operations and projects wherever feasible.



List of Certifications and Awards

MRL has received various ISO certifications from Bureau Veritas Certification, The International Certification Network, and SIRIM QAS International, recognising their implementation and management of quality, environment, occupational health and safety, and governance for the ECRL project is in line with international best practices. The certifications also reflect MRL's commitment to address their sustainability focus areas, in line with their ESG framework.

In addition, MRL is also rated 5-Star for Sustainable INFRASTAR, indicating that sustainability elements, such as land use planning and management, resource management, energy and water management, biodiversity and other ecosystem services, social and cultural protection and stakeholder coordination, are being considered in designing the project. The Anugerah Integriti, Governans Dan Anti-Rasuah was also awarded to MRL, recognising the management's continuous effort in adopting good corporate governance and internal control within the business processes to ensure transparency.

	Issuer	Certification/Award	Brief Description
1	Bureau Veritas Certification	Quality Management System (ISO 9001:2015)	ISO certification for the Quality Management System, obtained on April 25, 2018.

2	Bureau Veritas Certification	Environmental Management System (ISO 14001:2015)	ISO certification for the Environmental Management System, obtained on April 25, 2018.
3	Bureau Veritas Certification	Occupational Health and Safety Management System (ISO 45001:2018)	ISO certification for the Occupational Health and Safety Management System, obtained on April 25, 2018.
4	The International Certification Network	Anti-Bribery Management System (ISO 37001:2016 / MS ISO 37001:2016)	ISO certification for the Anti-Bribery Management System, obtained on May 7, 2021.
5	SIRIM QAS International	Anti-Bribery Management System (ISO 37001:2016 / MS ISO 37001:2016)	ISO certification for the Anti-Bribery Management System, obtained on May 7, 2021.
6	Construction Industry Development Board (CIDB)	Sustainable INFRASTAR for Design - 5 Star Rating	5-Star rating for Sustainable INFRASTAR, recognising that sustainability factors have been considered in the design of the project, obtained on April 12, 2023.
7	Institut Integriti Malaysia	Anugerah Integriti, Governans Dan Anti-Rasuah	Award to recognise the good corporate governance and internal control within the business processes, obtained in 2022.

Business Associates' ESG Due Diligence

MRL's COBE governs MRL's business relationship dealings with various stakeholders, including suppliers. Non-compliance with this Code or other applicable law provides grounds for MRL to review and potentially terminate their business relationship.

MRL conducts extensive evaluation on its business associates to establish the business associates' legitimacy, qualification, experience, and reputation, taking multiple factors into account. The business associates are checked for their legitimacy as a business entity and possession of qualification, experience, and resources needed to conduct the contracted business via channels such as Companies Commission of Malaysia (SSM), MOF Registration, CIDB registration, financial capabilities, Board of Engineers Malaysia (BEM) registration, Extended Producer Responsibility (EPR) Form, and Company Profile.

In order to establish whether and to what extent the business associates have an ABMS in place, the business associates are required to answer the relevant questions incorporated in the registration form. Should the business associates not have the system in place, they are to agree with MRL's ABMS terms.

To follow best practices, the business associates, as well as their shareholder(s) and top management, are screened through the Malaysian Anti-Corruption Commission (MACC) website to check for any history of bribery, fraud, dishonesty, or similar misconduct, or having been investigated, convicted, sanctioned, or debarred for such conducts, as guided by the Procurement standard operating procedures under Control of External Providers. The structure of the transaction and payment arrangements are also evaluated through the process of checking, verifying, and approving the payment certificate and supporting documents obtained prior to submission to the Finance department.

Business associates will also be requested to provide copies of ESG-related certifications such as CIDB Registration Certificate, SHASSIC Certificate, QCLASSIC or CONQUAS certificate, OHSAS

18001, ISO9001, ISO14001, ISO45001 and ISO37001. MRL also requires its business associates to declare ESG-related practices by answering a series of questions in the registration form.

As part of the onboarding process for business associates, the COBE will be communicated via email. Upon engagement for contract services, businesses associates are obligated to sign the Integrity Pact, which will be provided along with the Purchase Order document.




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

Sustainability Performance Assessment

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

MARC Ratings' assessment of the issuer's sustainability implementation capabilities and performance is expressed on a five-level descriptive scale that runs from "Excellent" to "Poor" which corresponds to five levels of assurance (Highest, High, Medium, Basic, and Weak). The assurance level can be interpreted as a measure of MARC Ratings' confidence in the issuer's continuing performance of its sustainability obligations in line with marketplace expectations and in compliance with its 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 them are 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. 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 or contact us at ratings@marc.com.my.

Appendix

Review of Compliance with GBP/ SBP/ SBG, ASEAN GBS/ SBS/ SUS, and SRI Sukuk Framework

Issuer: Malaysia Rail Link Sdn Bhd
MRL's SDG 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
Issuer <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>	<i>MRL is an ASEAN issuer.</i>	
<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>	<i>Where applicable, 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>	
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>	<i>Noted and to be complied with where applicable, the issuer intends to issue SRI sukuk that complies with the Guidelines.</i>	
7.04 <i>An issuer who wishes to issue an SRI sukuk must establish policies and processes to ensure compliance with the SRI Sukuk Framework as set out in these Guidelines.</i>	<i>The issuer commits to establish policies and processes as needed to ensure compliance with the SRI Sukuk Framework where applicable.</i>	
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>	<i>Where applicable, the Issuer's Framework will be made available at the point of issuance and throughout the tenure of the SRI sukuk via its website indicated in the Framework.</i>	

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

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Use of Proceeds</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 Framework sets out clear environmental/social benefits for all designated Green and/or Social Projects, of which the impact will be assessed and, where feasible, quantified by the Issuer.</p> <p>The issuer has committed to provide information on the allocation of proceeds to new financing and refinancing in its SDG Sukuk Report annually until maturity of the SDG Sukuk.</p>	<p>MARC Ratings has reviewed the Social and Green Eligible Categories, and concluded that the eligible projects set out within MRL's SDG Sukuk Framework fulfill the applicable criteria to be considered green and/or social for the purposes of the GBP/SBP/SBG, ASEAN GBS/SBS/SUS and SC's SRI Sukuk Framework.</p> <p>The issuer to state the look-back period for refinancing exercise in the Framework, which is up to 36 months.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Process for Project Evaluation and Selection</p> <p><u>SRI Sukuk Framework</u> 7.12 An issuer must establish internal processes for evaluation and selection of the Eligible SRI projects as identified in paragraph 7.08 above.</p> <p><u>ASEAN GBS/ SBS/ SUS</u> 4.2.1 The issuer must clearly communicate to investors: (i) The environmental/ social sustainability objectives; The Eligible Categories are framed in the context of SDGs with specific environmental and social objectives; (ii) The process by which the Issuer determines how the projects fit within the identified eligible project categories; and (iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social 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 issuer has established internal processes for project evaluation and selection, including a series of surveys and assessments as stated in the Framework.</p> <p>The Eligible Categories in the framework are framed in the context of SDGs with specific environmental and social objectives.</p> <p>The Framework details an internal process by which Eligible Projects are assessed and selected to ensure fulfilment of criteria.</p> <p>The issuer has undertaken necessary processes to identify and manage potentially material environmental and social risks associated with the Eligible Projects.</p> <p>The Framework details the process for project evaluation and selection, and these details will be available to investors prior to the issuance of the Bonds.</p> <p>The issuer has positioned the information above within the context of its overarching objectives, strategy, policy and/or processes relating to environmental and social sustainability.</p> <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 eligibility criteria are clearly communicated in the Framework.</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>MRL has undertaken an EIA and other various studies as outlined in the Framework to identify potential environmental and social impacts associated with the Eligible Projects.</p> <p>The issuer to list the exclusion criteria in the Framework.</p> <p>MRL disclosed that the project team will assume the responsibility for monitoring and assessing the social and environmental viability of the activities executed during the project period. In the case a project ceases to fulfil the eligibility criteria, MRL will reallocate the unused proceeds to replacement assets or operating expenses that comply with requirements of an Eligible Project as soon as reasonably practicable.</p> <p>The Framework will provide information on the process for project evaluation, and MRL will issue an SDG Sukuk 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 indicated in the Framework.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Management of Proceeds</p> <p><u>SRI Sukuk Framework</u> 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> 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>Where applicable, the issuer will monitor the allocation of the Sukuk proceeds and the Eligible Projects portfolio internally by setting up an SDG Sukuk register.</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 the Sukuk will be internally tracked and monitored through MRL's SDG Sukuk register.</p> <p>The Issuer will invest the balance of unallocated proceeds at its own discretion in accordance with its cash investment policy.</p> <p>The balance of unallocated net proceeds will be deployed at the issuer's own discretion in cash instruments in accordance with its cash investment policy.</p> <p>MRL will engage a monitoring accountant to review its SDG Sukuk Report – including the internal tracking method, allocation of net proceeds and the impact of its SDG Sukuk on an annual basis.</p>	<p>Issuer to ensure that the relevant information is disclosed in the documentation of the Bonds.</p>
<p>Reporting</p> <p><u>ASEAN GBS/ SBS/ SUS</u> 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</p>	<p>The allocation and impact reporting will be published annually until the maturity of the SDG Sukuk and such reporting will be made available at www.mrl.com.my.</p>	

<p><i>list of the projects to which the Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.</i></p> <p>4.4.2 <i>Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the Issuer may present the information in generic terms or on an aggregated portfolio basis (e.g., percentage allocated to certain project categories).</i></p> <p>4.4.3 <i>It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures and disclose the key underlying methodology and/or assumptions used in the quantitative determination.</i></p> <p>4.4.4 <i>It is recommended that the Issuer's annual reporting on the Use of Proceeds be supplemented by a confirmation of such Use of Proceeds by an external reviewer along with any relevant updates of the external review.</i></p> <p>4.4.5 <i>The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the Bonds.</i></p>	<p>(a) Allocation Reporting</p> <p><i>The section on allocation in the SDG Sukuk Report will include, among others:</i></p> <ul style="list-style-type: none"> • <i>Amount of allocated proceeds by eligible category.</i> • <i>Amount of allocated proceeds for financing and refinancing.</i> • <i>Remaining balance of unallocated proceeds at the end of the reporting period, if any.</i> • <i>Description of green and/or social projects.</i> <p>(b) Impact Reporting</p> <p><i>Where possible, MRL will report on the environmental and social impacts associated with the Eligible Projects funded with the proceeds of the SDG Sukuk, including the impact indicators for the eligible categories.</i></p> <p><i>MRL will engage a monitoring accountant to review its SDG Sukuk Report, including the internal tracking method, allocation of net proceeds and the impact of its SDG Sukuk on an annual basis, which will be made available at www.mrl.com.my.</i></p>	
<p>Disclosure Requirements</p> <p><u>SRI Sukuk Framework</u></p> <p>7.16 <i>The following information must be included:</i></p> <ol style="list-style-type: none"> <i>The overall SRI objectives that the issuer intends to achieve;</i> <i>The utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for refinancing, an issuer must provide the amount of proceeds being allocated for refinancing and which Eligible SRI projects to be refinanced;</i> <i>The Eligible SRI projects in which the proceeds will be allocated;</i> <i>The details of the Eligible SRI projects and to the extent possible, impact objectives from the Eligible SRI projects;</i> <i>The processes used by the issuer to evaluate and select the Eligible SRI projects;</i> 	<p><i>Where applicable, the Issuer has committed to providing information items (a), (c), (d), (e), (f), (g) and (h) within its SDG Sukuk Framework.</i></p>	<p><i>Where applicable, the Issuer has committed to providing information item (b) in its SDG Sukuk Report annually until maturity of the SDG Sukuk.</i></p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<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>External Review <u>SRI Sukuk Framework</u> 7.17 If an external reviewer is appointed to assess and provide report on the Eligible SRI projects or the issuer's compliance with the requirements under these Guidelines, such external reviewer's report must be made available on the designated website.</p> <p><u>ASEAN GBS/ SBS/ SUS</u> 5.1 Issuers are recommended to appoint external review providers for the bond issuances or programmes.</p> <p>5.2 The external review may be partial, covering only certain aspects of the bonds framework or full, assessing alignment with all four core components as stated in the relevant standards.</p> <p>5.3 The external review provider must have the relevant expertise and experience in the components of the Bonds which they are reviewing.</p> <p>5.4 The external review provider must also disclose their relevant credentials and expertise, and the scope of the review conducted in the external review report.</p>	<p>MARC Ratings has been engaged as the independent external reviewer for the Framework. The external reviewer's report will be made available on the 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>

THE UN SUSTAINABLE DEVELOPMENT GOALS

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

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Published by:

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