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MARC RATINGS BERHAD

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BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**PRE-ISSUANCE SUSTAINABILITY SUKUK
FRAMEWORK ASSESSMENT**

JULY 2024



**SUSTAINABILITY SUKUK
FRAMEWORK ASSESSMENT**

MARC Ratings Berhad has been engaged by Bank Kerjasama Rakyat Malaysia Berhad (Company Registration No: 2192) as an independent external reviewer for its Sustainability Sukuk Framework. This external review was conducted according to the analytical framework in MARC Ratings' Impact Bond Assessment methodology that is published on its website.

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SUMMARY

Bank Kerjasama Rakyat Malaysia Berhad (Bank Rakyat) (Company Registration No: 2192) has engaged MARC Ratings Berhad (MARC Ratings) to review its Sustainability Sukuk Framework (the Framework).

The review consists of three parts: an impact significance analysis based on Bank Rakyat'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 (ASEAN); or SRI Sukuk Framework of the Securities Commission Malaysia (SC) or as they may be subsequently updated or amended; and an evaluation of Bank Rakyat's sustainability implementation capacity and performance.

The Framework has been developed to set out how Bank Rakyat intends to utilise its finances towards Eligible Projects that will deliver environmental and social benefits in alignment with the United Nations Sustainable Development Goals (UN SDGs or SDGs). In assigning the assessment, we have 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 utilised to finance or refinance, in whole or in part, businesses and projects (collectively termed "Eligible Assets") that are Shariah-compliant while having social and/or green focus in one or more of the Eligible Categories defined in the Framework.

Bank Rakyat has set up a clear and proper process for project evaluation and selection involving the Board of Directors (the Board), Management Level Committee, Sukuk Sustainability Committee (SSC), Sukuk Committee, and the respective business units. The SSC comprises representatives from various functions including Risk Management, Finance, Compliance, Strategic, Treasury, Retail Banking, Business Banking and Sustainability.

The Sustainability Sukuk proceeds, and the portfolio of the Eligible Assets will be managed internally by Bank Rakyat through its existing internal reporting system. The Framework aligns Bank Rakyat's post-issuance tracking and reporting on the Use of Proceeds with the applicable guidelines and/or principles. The annual Sustainability Sukuk Report to be prepared by Bank Rakyat will include the amount of proceeds allocated to the Eligible Categories, samples of the Eligible Assets financed or refinanced (where possible), removal or substitution of Eligible Assets, the remaining balance of unallocated proceeds at the end of the reporting, as well as the indicative impact of the Eligible Categories. We consider 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, we have assigned a "**Gold**" assessment to the Framework. We also opine 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

Established in 1954, Bank Rakyat is the largest Islamic cooperative bank in Malaysia. Operating under the Development Financial Institutions Act (DFIA) and regulated by Bank Negara Malaysia (BNM), the bank offers a range of Shariah-compliant financial products and services to individuals, businesses, and organisations.

In alignment with the National Entrepreneurship Policy 2030 (NEP2030) set out by the Ministry of Entrepreneur and Cooperatives Development (MECD), Bank Rakyat supports micro, small and medium enterprises (MSMEs) and cooperatives. As an agency under MECD, the bank provides financing, advisory services, and training programmes to these businesses. In 2023, the bank approved more than RM2.8 billion in financing to over 3,100 MSMEs and cooperatives.

As a development financial institution (DFI), Bank Rakyat aligns with BNM's vision for an inclusive financial system. The bank aims to provide access to essential financial products for all Malaysians, especially the underserved communities. In this regard, the bank, which has 148 branches nationwide as of 2022, continues to enhance its accessibility by establishing more physical access points, particularly in rural areas, while expanding its digital outreach.



The finance industry is placing a growing emphasis on sustainability. As such, Bank Rakyat looks to integrate environmental, social and governance (ESG) considerations into its business activities. The bank's commitment to sustainability is exhibited through its dedicated ESG financing portfolio and ongoing investment in corporate social responsibility initiatives. This commitment is formalised by the establishment of various policies, including the Bank Rakyat 2025 (BR25) roadmap, Bank Rakyat Sustainability Framework and Policy (BRSFP), and Sustainability Risk Policy.

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COMPLIANCE REVIEW FORM

01 IMPACT SIGNIFICANCE ANALYSIS

The qualitative analysis of the Use of Proceeds impact is conducted in the context of the UN 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 UN 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 Framework was established to outline how Bank Rakyat, including its Special Purpose Vehicles (SPVs)¹, intends to fund Eligible Projects that will deliver environmental and social benefits in alignment with the SDGs. The net proceeds of the Sustainability Sukuk will be used to finance or re-finance, in whole or in part, new or existing Shariah-Compliant Eligible Assets with social and/or green focus.

The Framework defines nine broad Eligible Categories for the Use of Proceeds which cumulatively support 8 of the 17 UN SDGs. The Eligible Categories are as follows:





1. Renewable energy
2. Green building
3. Clean transportation
4. Sustainable water and wastewater management
5. Waste and pollution control
6. Affordable housing
7. Access to essential services: financing and financial services
8. Access to essential services: education and vocational training
9. Socioeconomic advancement and empowerment and employment generation

ELIGIBLE CATEGORIES FOR USE OF PROCEEDS

Eligible Green Projects



1	Renewable energy
	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Acquisition, construction, research, development, operation, renovation and/or maintenance of the following renewable energy generation sources: <ul style="list-style-type: none"> ○ Solar energy ○ Hydropower (≤ 25 MWh; or power density $> 10\text{W/m}^2$; or greenhouse gas (GHG) emissions intensity $< 50\text{gCO}_2\text{e/kWh}$) ○ Geothermal (direct GHG emissions $< 100\text{gCO}_2\text{e/kWh}$) ○ Bioenergy • Connections of renewables into the grid and enhancement of the grid's transmission capacity • Manufacturing, trading and/or import of components of renewable energy technology including solar panels, inverters, and storage batteries • Purchase and installation of solar panels


¹ Bank Rakyat's SPVs are incorporated under the Companies Act 1965 to raise funds and/or to issue debentures or Islamic securities for or in connection with the bank. To date, Bank Rakyat's SPVs include Imtiaz Sukuk II Berhad and Mumtaz Rakyat Sukuk Berhad.


Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> To promote the production and adoption of clean energy, reducing the reliance on fossil fuels To advance renewable energy technologies, driving innovation for optimised energy use To reduce GHG emissions and other air pollutants, protecting the environment and mitigating climate change 	<ul style="list-style-type: none"> Enhancing energy security and reliability by diversifying energy sources and improving infrastructure efficiency Combating climate change by transitioning to renewable energy sources, thereby reducing carbon emissions Improving public health by reducing air pollution from energy production 	<p>Alignment to the UN SDGs:</p> <div style="display: flex; justify-content: space-around;">   </div> <p>UN SDG 7 Bolster the development of renewable energy sources to ensure access to affordable, reliable, and sustainable energy for all.</p> <p>UN SDG: 13 Integrate climate change considerations in energy generation activities, strengthening resilience to natural disasters.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> Total installed capacity (MW) Annual renewable energy generation (MWh) and/or capacity of renewable energy plants constructed or rehabilitated (MW) Annual reduction/avoidance of GHG emissions (tCO₂e) Number of people with access to clean energy services
2 Green building		
<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Construction, renovation and/or purchase of buildings that meet the widely accepted green building standards locally or internationally, including residential, commercial and industrial buildings and mixed developments that: <ul style="list-style-type: none"> Meet the recognised green building standards such as Green Building Index (GBI), GreenRE², with a rating of Gold and above or Achieve at least 20% improvement in energy consumption or reduction in carbon emissions from renovation works. 		
Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> To encourage the adoption of environmentally sound building practices among building developers To support the development of buildings with a lower carbon footprint throughout their lifecycle 	<ul style="list-style-type: none"> Conserving resources such as water and energy, minimising the environmental footprint of buildings 	<p>Alignment to the UN SDGs:</p> <div style="display: flex; justify-content: space-around;">   </div>

² The green building certification criteria are guided by the “VBIAF – Sectoral Guide on Construction & Infrastructure”, whereby the criteria are selected and categorised according to the priority of implementation:



- P1: Compulsory (Comply with laws and regulations)
- P2: Conformed to or guided by national policies, plans and sustainable guiding framework
- P3: Adopt or in line with more advanced sustainable certifications, standards or taxonomy




	<ul style="list-style-type: none"> To increase operational efficiency and reduce the overall environmental impact of the buildings 	<ul style="list-style-type: none"> Mitigating both physical and transition climate risks associated with the development of buildings Promoting the health and well-being of the buildings' occupants 	<p>UN SDG 9 Support the development of climate-resilient buildings, with increased adoption of environmentally sound technologies and industrial processes.</p> <p>UN SDG 12 Encourage the efficient use of natural resources and responsible management of all wastes throughout their life cycle to minimise their adverse impacts on human health and the environment.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> Number of solar panels installed on the customer's premises Number of financed green buildings Annual energy savings (MWh/GWh) Annual reduction/avoidance of GHG emissions (tCO₂e)
3	Clean transportation		
	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Acquisition, construction, research, development, maintenance, operation and/or financing of electric vehicles (EV), bicycles, and associated infrastructures such as EV charging stations and alternative fuel infrastructure Acquisition, construction, research, development, maintenance, and/or operation of: <ul style="list-style-type: none"> Public or mass transportation systems and/or associated equipment, such as Mass Rapid Transit, Bus Rapid Transit Facilities and equipment that reduce energy consumption or improve resource efficiency 		
	Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> To support the development of clean transportation systems and relevant infrastructure To reduce GHG emissions, lowering the transportation industry's environmental and climate impact To reduce harmful exhaust emissions, while minimising or avoiding air and noise pollution To minimise the reliance on fossil fuels and the associated cost 	<ul style="list-style-type: none"> Increasing the adoption, efficiency, and utilisation of sustainable transportation systems, contributing towards the national sustainable transport agenda Enhancing the environmental performance of transportation, mitigating the effects of climate change Promoting healthier communities by investing in cleaner transportation systems, leading to reduced pollution 	<p>Alignment to the UN SDGs:</p> <div>   </div> <p>UN SDG 9 Enhance scientific research, technology development and innovation of the transportation industry to empower the creation of clean transportation infrastructures and efficient industrial processes.</p> <p>UN SDG 13 Utilise funds for sustainable, climate-resilient transportation infrastructures.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> Number of supported mass transit projects Public transit passenger capacity

			<ul style="list-style-type: none">Annual reduction/avoidance of GHG emissions (tCO₂e)Estimated reduction in car usage
4 Sustainable water and wastewater management			
Eligibility Criteria:			
<ul style="list-style-type: none">Acquisition, construction, research, development, operation, renovation and/or maintenance of facilities, systems or equipment used for sustainable water and wastewater management, including:<ul style="list-style-type: none">Collection, treatment, recycling and reuse of water and wastewaterFlood prevention, flood defence or stormwater managementImprovement to water infrastructure that increases water efficiency such as water-saving systems, technologies, and water meteringWastewater treatment infrastructure aimed at reducing pollutant discharge load or improving plant efficiency.			
Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs	
<ul style="list-style-type: none">To promote water conservation and reduce consumptionTo implement sustainable and responsible wastewater management systems to minimise water pollution from harmful pollutantsTo maintain healthy water quality to protect aquatic ecosystems and safeguard public healthTo enhance disaster preparedness by leveraging flood control systems and investing in climate-resilient infrastructure	<ul style="list-style-type: none">Conserving the environment and ensuring long-term availability of water resourcesProtecting aquatic ecosystems from hazardous particles and other pollutantsSafeguarding proper sanitation for public health by minimising the risk of water-borne diseases, promoting overall well-beingReducing the frequency and severity of floods, mitigating environmental impacts on societal well-being	<p>Alignment to the UN SDGs:</p> <div></div> <p>UN SDG 12 Encourage the adoption of sound water management through sustainable consumption and pollution prevention to minimise any adverse impacts on human health and the environment.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none">Number of built or upgraded water distribution facilitiesVolume of clean water providedVolume of saved water: Annual absolute (gross) water use before and after the project (m³ per annum), and reduction in water use (%)Number of financed flood mitigation projects	
5 Waste and pollution control			
Eligibility Criteria:			
<ul style="list-style-type: none">Acquisition, construction, development, operation, renovation and/or maintenance of:<ul style="list-style-type: none">Infrastructure related to the treatment, collection, reuse, and reduction of waste and/or hazardous waste, reduction of emissions, or treatment of contaminated soilProcesses to divert waste and/or hazardous waste away from landfillsResearch and development of processes, infrastructure, technology, and facilities that promote efficient resource use and management such as circular economy, water and energy conservationConstruction, operation, maintenance and/or upgrading of recycling facilities or infrastructure for public and industrial waste			

Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> To minimise environmental footprint by implementing cleaner production processes To integrate sustainable practices throughout industrial operations To encourage the conservation of resources through innovations in sustainable technologies. To protect the environment and public health through proper waste collection and treatment. 	<ul style="list-style-type: none"> Mitigating potential environmental impacts and preventing harmful substances from environmental contamination, safeguarding ecosystems and human health Reducing the strain on landfills, which can potentially lead to groundwater contamination and other environmental complications Conserving resources by reducing waste generation through proper recycling facilities 	<p>Alignment to the UN SDGs:</p>  <p>UN SDG 12 Support the reduction of waste generation through prevention, reduction, recycling, and reuse, minimising environmental footprint.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> Amount of waste diverted from landfills (tonnes) Amount of recycled waste (tonnes) Amount of reused waste (tonnes) Reduced or avoided emissions or pollutants




Eligible Social Projects



<p>1 Affordable housing</p> <p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Construction, development, operation, renovation and/or maintenance of facilities, services, systems, or equipment used for building adequate, safe, and affordable housing for excluded and/or marginalised populations or communities Purchase of affordable housing or social housing for first-time home buyers Projects/Assets in relation to: <ul style="list-style-type: none"> Government-supported schemes that promote home affordability including Skim Rumah Pertamaku and such other government-supported schemes as defined by the Federal or any State Government from time to time Affordable housing projects as defined by the federal or any state government or other relevant entity from time to time 		
Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
<ul style="list-style-type: none"> To construct affordable residential housing in line with state and federal government policies promoting housing affordability To promote house ownership for low- to moderate-income households To support economic growth through the establishment of resilient neighbourhoods 	<ul style="list-style-type: none"> Increasing accessibility to safe and decent housing for low- to moderate-income households Improving the overall well-being of society and preventing social issues such as homelessness, crimes, and poverty Enhancing the financial stability and social mobility of lower-income groups 	<p>Alignment to the UN SDGs:</p>   <p>UN SDG 1 Implement nationally appropriate social protection systems, ensuring that all citizens have equal rights to economic resources.</p>

			<p>UN SDG 10 Empower the socioeconomic inclusion of all through the adoption of appropriate policies and actions to facilitate financial flow for greater equality</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> • Number of financed affordable and social housing • Number of individuals/ families benefiting from subsidised housing
2	Access to essential services: financing and financial services		
	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Microfinance schemes such as microcredits, micro savings and micro takaful for individuals³ or financing for microfinance institutions. The assets should be targeted at low-income populations i.e. the bottom 40% of households with a monthly income of RM4,850 and below (B40)⁴ and should also exhibit one or more of the following characteristics: <ul style="list-style-type: none"> ○ Accessible and affordable i.e. providing reasonable profit rates, not requiring collateral or guarantor, and/or utilising innovative channels such as digital finance ○ Responsible i.e. providing consultation and training support to customers ○ Flexible i.e. offering deferment of repayment and/or restructuring of repayment schedule 		
	Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> • To encourage individuals to accumulate wealth, such as starting a business, saving, and investing • To ensure financial accessibility and inclusivity, building financial security for all • To foster economic participation of the low-income population, thereby reducing poverty and inequality • To improve accessibility to other essential services such as healthcare, education, and housing 	<ul style="list-style-type: none"> • Reducing vulnerability of the low-income group, providing a safety net and improving overall financial resilience • Empowering low-income groups to achieve long-term financial stability • Improving financial literacy and management for better financial decision-making and increased financial well-being • Stimulating economic growth by promoting entrepreneurship and facilitating businesses' access to credit 	<p>Alignment to the UN SDGs:</p> <div style="display: flex; justify-content: space-around; align-items: center;">    </div> <p>UN SDG 8 Encourage and improve access to banking, insurance and financial services for all while supporting productive activities, job creation, and entrepreneurship.</p> <p>UN SDG 9 Assist economic development through enhanced financial services and support the society's well-being by offering affordable and equitable financial access.</p> <p>UN SDG 10 Increase financial flow to empower socioeconomic inclusion and support greater equality.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> • Number of B40 microcredit recipients • Number of financings to MSMEs

³ Personal financing for low-income populations qualifies for the use of proceeds, subject to meeting the characteristics stated.

⁴ The definition of B40 shall be updated from time to time to be consistent with the Household Gross Income definition by the Department of Statistics, Malaysia.

			<ul style="list-style-type: none"> Regions in which microfinance institutions were built Number of social assistance programmes (transfer of cash systems) provided Number of Ar-Rahnu and Az-Zahab financings
3	Access to essential services: education and vocational training		
	Eligibility Criteria: <ul style="list-style-type: none"> Construction, development, operation, renovation and/or maintenance of facilities, services, systems, or equipment for public and government-subsidised education, including: <ul style="list-style-type: none"> New infrastructure or improvements to universities, colleges, schools, and early learning centres Activities targeting inclusion of excluded and/or marginalised populations in the education system Digital learning Education financing for low-income populations, youth, and professionals 		
	Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> To improve learning environments and facilitate quality education To empower individual development through education and vocational training, leading to improved employability and earning power To drive the nation's productivity and economic growth by creating a qualified talent pool To reduce poverty and income inequality and create a more equitable society 	<ul style="list-style-type: none"> Encouraging individuals to improve their skills, knowledge, and adaptability, benefitting businesses and the economy Creating an enriching learning experience that will lead to improved student performance, higher enrolment and graduation rates Enhancing social stability and cohesiveness, with education playing a role in developing functioning members of society 	<p>Alignment to the UN SDGs:</p> <div>    </div> <p>UN SDG 4 Ensure access to quality training for all, promoting safe, inclusive and effective learning.</p> <p>UN SDG 8 Achieve full and productive employment, and substantially reduce the unemployment rate.</p> <p>UN SDG 10 Progressively attain income growth for the low-income group by ensuring equal opportunity to education and vocational training for all.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> Number of businesses participating in specialised advisory programmes during the year Number of educational institutions funded by type Number of students served Number of education financing given out to low-income populations, youths and professionals Number of Ar-Rahnu financings provided for education

4	Socioeconomic advancement and empowerment and employment generation		
	Eligibility Criteria: <ul style="list-style-type: none"> Financing for co-operatives, startups and MSMEs.⁵ To be eligible for the use of proceeds, the assets should exhibit at least one of the following characteristics: <ul style="list-style-type: none"> Operate in sectors/activities that contribute to other UN SDGs stated in the Framework. Owned or operated by marginalised unserved or underserved groups. Benefit low-income populations or areas in terms of employment and access to basic needs such as food, healthcare, and education. 		
	Sustainability Objective	Sustainability Benefit	Corresponding to the UN SDGs
	<ul style="list-style-type: none"> To reduce poverty and inequality and promote socioeconomic advancement through improved access to essential needs To promote economic stability and social mobility, helping the population to attain overall health and well-being To bolster economic growth through employment creation that contributes to higher GDP and increased prosperity 	<ul style="list-style-type: none"> Creating an inclusive and prosperous society where everyone can reach their full potential, regardless of financial background Encouraging innovation and productivity through access to necessities Improving the quality of life for all members of the society, leading to general well-being and prosperity 	<p>Alignment to the UN SDGs:</p> <div style="display: flex; justify-content: space-around; align-items: center;">   </div> <p>UN SDG 8 Strengthen the capacity of the bank as a DFI to provide financial services to all.</p> <p>UN SDG 9 Facilitate sustainable and resilient developments through enhanced financial support to underserved groups.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> Amount of approved financing to MSMEs Amount of approved financing to SMEs for export purposes Amount of approved financing to SMEs that have at least 51% Bumiputera shareholding Types of financed SMEs Number of jobs created and/or maintained by SMEs Amount of financing approved for women-led SMEs

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

⁵ The definition of "SMEs" shall be consistent as set forth by SME Corporation Malaysia, or as they may be subsequently updated. For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM50 million, OR with the number of full-time employees not exceeding 200 workers. For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding RM20 million, OR with the number of full-time employees not exceeding 75 workers.

Overall Impact Significance

The list of Eligible Categories defined in the Framework demonstrate Bank Rakyat's commitment towards supporting climate action and inclusive growth, in line with the ICMA's GBP/SBP/SBG, ASEAN GBS/SBS/SUS, and SC's SRI Sukuk Framework. The bank has been expanding its green financing portfolio in alignment with BNM's Climate Change and Principle-based Taxonomy (CCPT), while driving inclusive and sustainable economic growth according to its mandate as a DFI. The Framework is coherent with the BRSFP that focuses on driving socioeconomic development and green transition.

The Use of Proceeds categories under the Framework are expected to create environmental and social impacts, towards achieving the targeted SDGs. The Eligible Categories are expected to create decent work, and provide financial accessibility and economic opportunities to unserved and underserved social groups, especially the B40 community and MSMEs. Being the country's predominant form of enterprise, MSMEs have the potential to deliver inclusive growth and adapt to the concept of a just transition. Overall, the anticipated impact of the Use of Proceeds is assessed to be "Very Significant", considering its potential to contribute to advanced and transformative sustainable development.

Exclusion Criteria

The Sustainable Finance Proceeds are excluded from financing projects or activities related to the following industries (Exclusion List):

1. Non-Shariah-compliant activities
2. Illegal activities
3. Non-halal industries
4. Weapons
5. Alcohol
6. Gambling/adult entertainment
7. Fossil fuel power generation projects
8. Tobacco-related project/products

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

02 ASSESSMENT OF ALIGNMENT WITH ICMA'S GBP/SBP/ SBG, ASEAN GBS/SBS/SUS, AND SC'S SRI SUKUK FRAMEWORK

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



Principle One: Utilisation of Proceeds

The proceeds raised from the issuance of Sustainability Sukuk will be utilised for the financing and/or the refinancing, in whole and/or in part, of businesses and projects that are Shariah-compliant while complying with the eligibility criteria recognised by ICMA's GBP/ SBP/ SBG; ASEAN GBS/ SBS/ SUS, and the SC's 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:

- Renewable Energy
- Pollution prevention and control
- Clean transportation
- Sustainable water and wastewater management
- Climate change adaptation
- Green buildings
- Affordable basic infrastructure
- Access to essential services
- Affordable housing
- Employment generation including the potential effect of SME financing and microfinance
- Socioeconomic advancement and empowerment

The Framework considers general financings as Eligible Assets if a minimum 80% of the financing recipient's revenue is derived from sources that meet the eligibility criteria set out in the Framework.

To the extent feasible, Bank Rakyat will provide further details and examples of eligible businesses and projects financed by the Sustainability Sukuk.



Principle Two: Process for Project Evaluation and Selection

Bank Rakyat's project governance consists of the Board, Management Level Committee, SSC, Sukuk Committee, and respective business units, which together, form a company-wide, cross-functional review structure to ensure the meaningful implementation of the projects.

The Board is responsible for overseeing the bank's sustainability strategy, sustainability integration and overall ESG risk management, as well as finalising the approval of the Framework and sustainability-related policies. It ensures that the bank effectively integrates sustainability considerations into its operations.

The Management Level Committee is accountable for the execution of the bank's sustainability strategy and initiatives by making sure that the necessary infrastructure, resources, and systems are in place.

The SSC and the Sukuk Committee constitute the internal governance of the Framework. Established in 2022, the SSC comprises representatives from the Risk Management, Finance, Compliance, Strategic, Treasury, Retail Banking, Business Banking and Sustainability. They are responsible for ensuring the effective implementation of the Framework, and reviewing the projects proposed by the business units to ensure alignment with relevant guidelines and policies. CCPT Assessment and the Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Guidance Document serve as guidance for the bank in its evaluation of the social and environmental impacts of the projects.

The process for project evaluation and selection is as follows:



To ensure all Eligible Assets continue to meet the eligible criteria, the relevant business unit and financing committee will periodically review and update the register. Any projects that no longer meet the Framework's criteria is subject to removal, and subsequently replaced by another project that meets the eligible criteria as soon as it is feasible.

Additionally, the Framework has defined exclusion criteria.



Principle Three:
Management of
Proceeds

Proceeds of the Sustainability Sukuk designated for Eligible Assets will be either deposited into a dedicated account or tracked through the bank's internal reporting system.

Any unallocated portion of the proceeds, pending the allocation or reallocation, will be invested at the bank's discretion, with available options including cash, cash equivalents, or other liquid marketable financial instruments. These investment decisions will be made in adherence to Bank Rakyat's liquidity management policy.



Principle Four: Reporting

A Sustainability Sukuk Report containing the allocation and impact reporting will be published annually and as and when there is new development, as long as the Sustainable Sukuk remains outstanding. Such reporting will be made available at www.bankrakyat.com.my.

Allocation Reporting

The section on allocation in the Sustainable Finance Report will include:

- Amount of proceeds allocated to each of the Eligible Categories
- Removal or substitution of Eligible Assets
- Remaining balance of unallocated proceeds at the end of the reporting period.

Impact Reporting

Subject to data availability, Bank Rakyat will report on the environmental and social impacts associated with the Eligible Categories. The associated impact indicators have been listed in the Framework.

Overall, we consider 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.

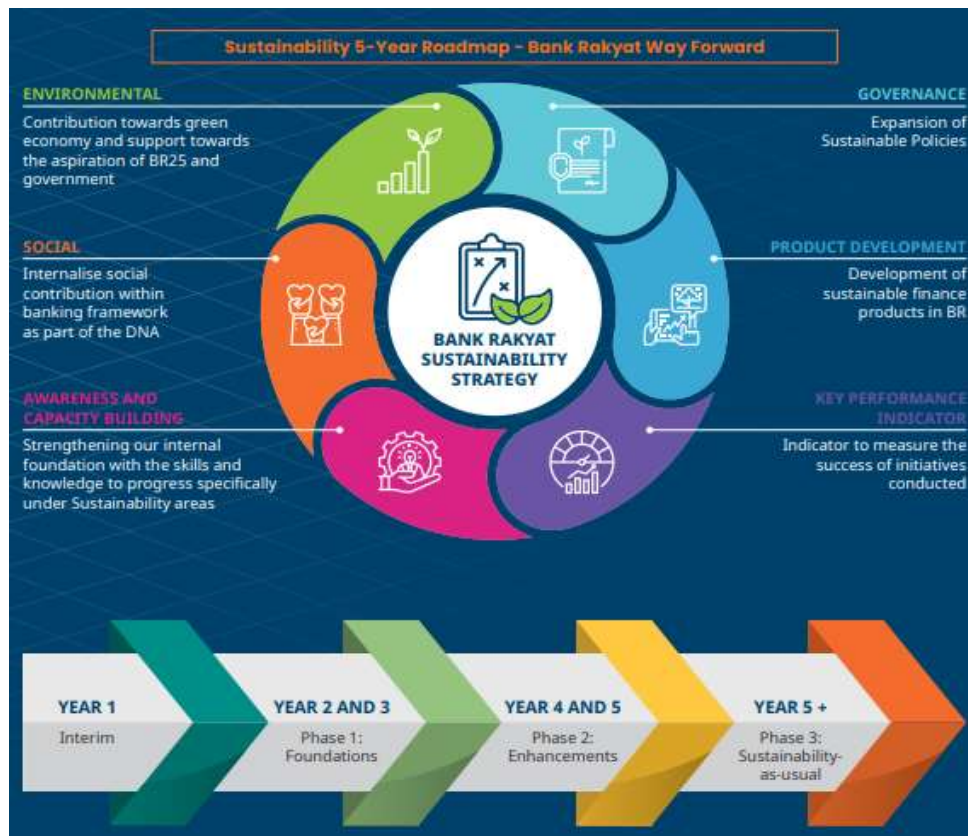
Assessment Grade	High	Good	Satisfactory	Low
	3	2	1	0

03 ANALYSIS OF SUSTAINABILITY PERFORMANCE

Sustainability Direction and Strategies

Bank Rakyat's sustainability approach is founded on Islamic principles, focusing on ethical practices, social well-being, and environmental responsibility. Bank Rakyat's BR25 roadmap was launched in 2022, outlining six key blueprints, encompassing digitalisation, great customer experience, human capital, small and medium enterprises value creation centre, sustainability and Shariah governance. This roadmap aims to ensure sustainability integration throughout the bank's operations, products, and services, emphasising greater inclusivity and resilience in supporting underserved individuals and businesses.

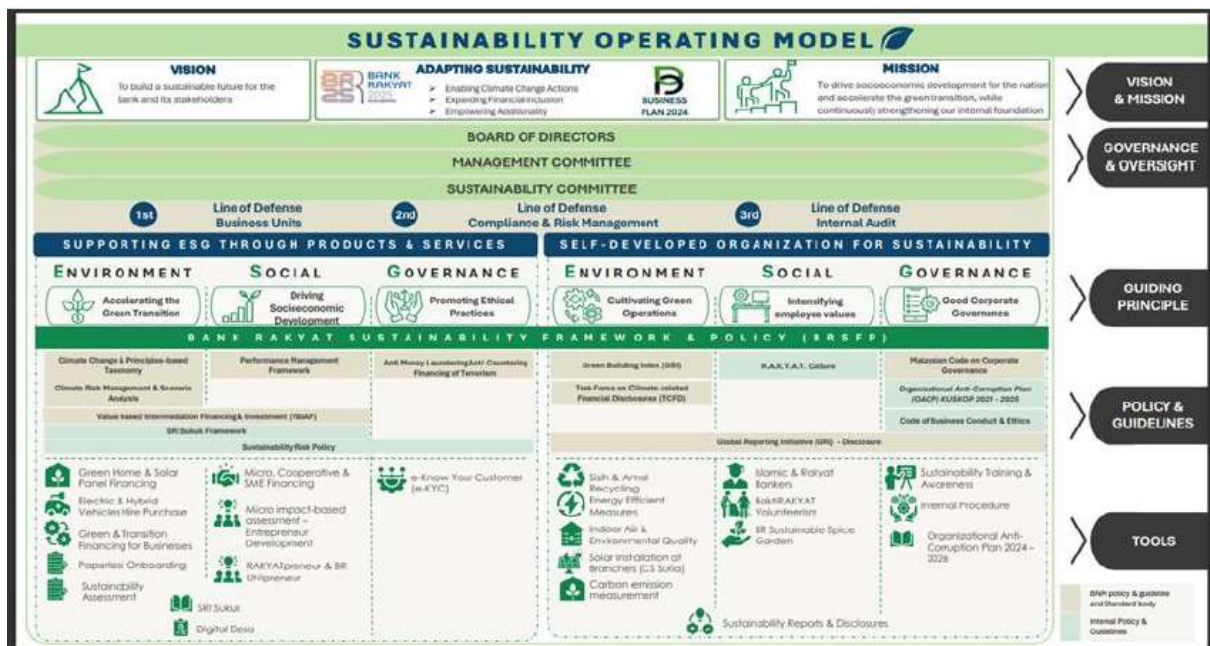
To drive initiatives towards the realisation of the BR25 Sustainability Blueprint, Bank Rakyat launched its 5-year Sustainability Roadmap. The roadmap focuses on six key strategies, supported by a clear timeline and goals. Under this roadmap, the issuance of SRI sukuk has been identified as one of the priorities for the implementation of the BR25 Sustainability Blueprint.



The Bank's BRSFP was introduced to enhance the initiatives and ambitions outlined in the BR25 Blueprints and Sustainability Roadmap. The BRSFP aligns with regulatory requirements, referencing BNM's Implementation Guide for Value-Based Intermediation (VBI) and the CCPT. The BRSFP outlines the bank's overarching sustainability ambition supported by the Environment, Economic and Social pillars, illustrated as follows:



In line with the BRSFP, Bank Rakyat has also developed a Sustainability Operating Model (SOM) consisting of two focus areas, namely supporting ESG through products and services, and self-developed organisation for sustainability. The SOM aims to integrate ESG principles into the bank's operations by setting clear sustainability goals, strategies and monitoring mechanisms.



Sustainability Governance



The Board at Bank Rakyat sets the direction for and oversees how ESG factors are considered in all of the bank's activities. The Board's responsibilities include the oversight of risk management, corporate leadership, governance implementation, and resilience planning. The Board delegates the implementation, monitoring, and oversight of these practices to the Management Committee (MANCO).

The Sustainability Committee (STC), chaired by the Chief Strategy and Transformation Officer (CSTO), plays a key role in overseeing the bank's sustainability efforts. This includes recommending and endorsing sustainability concepts to the MANCO for consideration, approving sustainability operation matters, establishing and reviewing the bank's overall sustainability framework, and monitoring the progress of related initiatives. The STC also provides recommendations to the management to ensure all strategies and goals align with the bank's commitment to sustainability, secures the necessary resources for these initiatives, and fulfils any additional sustainability-related duties assigned by the management.

The STC is supported by the Sustainability Department, which falls under the Strategy and Transformation division. The Sustainability Department ensures a uniform integration of sustainability throughout the bank's operations. This is achieved through capacity-building initiatives, including for the Board and the MANCO (in cooperation with the Centre of Excellence), and for the employees (in cooperation with Centre of Excellence). The Sustainability Department is also tasked with the collection of ESG data of the Eligible Assets from various business units on a quarterly basis, which will be presented to the SSC for monitoring and allocation purposes.

To enhance the bank's sustainability performance, the Sustainability Key Performance Indicator (KPI) is applicable to the CSTO and Sustainability Department. Bank Rakyat branches are also required to achieve the bank's Green Financing targets.

Integration of Sustainability into Operations, Products and Services

Since 2022, Bank Rakyat has implemented BNM's CCPT, to replace its Due Diligence Assessment and Classification of Economic Activities in Green Financing. Through alignment with CCPT, the bank is able to classify customers' economic activities based on climate or environmental objectives, supporting the nation's net zero goal. Bank Rakyat views the complete implementation of the CCPT as its priority, with plans to simplify the CCPT classification process through automation, conduct CCPT training for employees, and compile CCPT reporting.

VBIAF Guidance has also been applied to evaluate the socioeconomic impact of the bank's customers' business activities. Bank Rakyat, being a member of the VBI Community of Practitioners, is involved in the development of the VBIAF Guidance Document. The document provides financial institutions with a framework for implementing an impact-based risk management system that integrates ESG risk considerations.

Bank Rakyat looks to enhance its climate risk management by complying with Climate Risk Management and Scenario Analysis (CRMSA) to ensure the bank's resilience against climate-related risks, while playing its role as a DFI in facilitating a just transition. In 2022, the bank developed its Green Financing and Investment Business Taxonomy to guide its customer evaluation process.

The BR25 Strategic Blueprint has outlined multiple time-bound targets associated with the sustainability development of the bank, the community it serves, and the environment it operates in. One of the targets is to achieve ESG financing approval of RM1.8 billion by 2025. In line with this, Bank Rakyat has rolled out several initiatives which include granting lower pricing for projects that meet C1 and C2 of CCPT under its BR PLUS 1 Financing programme, participating in BNM's Low Carbon Transition Facility and High Tech and Green Facility schemes, and participating in Credit Guarantee Corporation Malaysia Berhad's (CGC) Green Technology Financing Scheme.

In 2023, the bank identified eight businesses that contribute to sustainability, with approximately RM460 million in green financing approved. In 2022, RM1.1 billion was approved to finance 25 businesses, of which more than RM800 million is classified as Green Financing based on CCPT. Additionally, the bank continues its efforts in driving socioeconomic development via various social financing programmes aimed at supporting entrepreneurship and assisting the B40 communities, with initiatives such as RAKYATpreneur, UNIprenneur, Cashless Village Programme and Nuri Club Programme.




As of 2022, Bank Rakyat has reported its energy consumption at Menara Kembar Bank Rakyat and will continue to monitor its impact on GHG emissions. Additionally, the bank has started initiatives to reduce its environmental impact, such as replacing lighting fixtures with LED lights, installing EV charging stations, implementing an energy monitoring system, using multi-split type air conditioners, and utilising ultraviolet germicidal irradiation. Looking ahead, the bank plans to install solar panels at its branches.

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 risk 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.

Our 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 our 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 is a 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.

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: Bank Rakyat's Sustainability Sukuk Framework

Key Additional Features to comply with for sukuk issuance:

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

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Issuer <u>ASEAN GBS/ SBS/ SUS</u> 3.1 The issuer must be an ASEAN issuer, or the eligible green and/ or social project(s) must be in an ASEAN country.</p> <p><u>SRI Sukuk Framework</u> 7.02 The proceeds (of Sukuk) will be applied exclusively for funding of any activities or transactions relating to the Eligible SRI projects.</p> <p>7.03 An issuer must not– (a) use or adopt the term “SRI sukuk”; or (b) hold itself out as an issuer of such SRI sukuk, unless the issuance of the SRI sukuk has complied with these Guidelines.</p> <p>7.04 An issuer who wishes to issue an SRI sukuk must establish policies and processes to ensure compliance with the SRI Sukuk Framework as set out in these Guidelines.</p> <p>7.05 The information relating to the issuer and the details of the issuer's SRI Sukuk Framework must be made publicly accessible via a designated website to be disclosed by the issuer. Such information in the designated website must be made available at the point of issuance and throughout the tenure of the SRI sukuk.</p>	<p>The issuer is an ASEAN issuer.</p> <p>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. The Framework considers general financings as Eligible Assets if a minimum 80% of the financing recipient's revenue is derived from sources that meet the eligibility criteria set out in the Framework.</p> <p>The issuer intends to issue SRI sukuk that complies with the Guidelines.</p> <p>The issuer commits to establish policies and processes as needed to ensure compliance with the SRI Sukuk Framework.</p> <p>The issuer's Framework will be made available at the point of issuance and throughout the tenure of the SRI sukuk via its website as indicated in the Framework.</p>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Eligible Projects</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"> Preserving and protecting the environment and natural resources; Conserving the use of energy; Promoting the use of renewable energy; Reducing greenhouse gas emissions; Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes especially but not exclusively for a target population; or Improving the quality of life of society. <p>7.08</p> <p>The Eligible SRI projects may include but not limited to the following:</p> <ol style="list-style-type: none"> 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. 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. Projects which are the combination of Green and Social projects as described in (a) and (b) above; and Waqf projects that relate to the development of waqf properties or assets. <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</p>	<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 the following Green and Social project categories specified in paragraph 7.08 (a) and (b) of the SRI Sukuk Framework: renewable energy; climate change adaptation and employment generation.</p> <p>The utilisation of proceeds is clearly described in the Framework.</p> <p>The Issuer has disclosed categories of eligible Green and/or Social Projects to which the issue proceeds will be allocated.</p>	<p>The Framework defined renewable energy, green building, clean transportation, sustainable water and wastewater management, waste and pollution control, affordable housing, access to essential services: financing and financial services, access to essential services: education and vocational training, and socioeconomic advancement and empowerment and employment generation as the Eligible Projects.</p> <p>Bank Rakyat may include additional Green and/or Social Eligible Categories from time to time.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>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 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 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 Eligible Categories set out in the Framework provide clear environmental/social benefits.</p> <p>The issuer has committed to provide information on the allocation of proceeds to new financing and refinancing in its Sustainability Sukuk Report annually until maturity of the Sustainability Sukuk.</p>	<p>The issuer to state the lookback period for the refinancing exercise in the Framework, which is up to 24 months.</p>
<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 E&S 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 (E&S) risks associated with the selected projects.</p> <p>4.2.2 The Issuer must establish the process for project evaluation and selection prior to the issuance of the Bonds and disclose the same to investors in the documentation for the issuance of the Bonds.</p>	<p>The issuer has established internal processes for project evaluation and selection which provide for the Board and senior management's 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 Framework outlines an internal process by which Eligible Projects are assessed and selected to ensure fulfillment of criteria.</p> <p>The exclusion criteria and process applied to identify and manage potentially material E&S risks associated with the selected projects have been detailed in the Framework.</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 eligibility criteria are clearly communicated in the Framework.</p> <p>The Framework details the information on the Eligible Projects, including their roles, benefits and relevant SDGs.</p> <p>The issuer's business units will assess and subsequently recommend the potential projects for approval. The issuer's SSC is responsible for ensuring the effective implementation of the Framework as approved by the Board.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<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 positioned this information within the context of the issuer and its parent company's sustainability strategies.</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 in a Sustainability Sukuk Report to be published on its corporate website.</p>	<p>The Framework will provide information on the process for project evaluation, and the issuer will issue a Sustainability 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>
<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>The issuer 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 the Sukuk will be internally tracked. The issuer will invest the balance of unallocated proceeds in accordance with its liquidity management policy.</p>	<p>The issuer will track the allocation of the Sukuk proceeds and the Eligible Projects portfolio via its established internal reporting system.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<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>4.3.6 Where the Issuer appoints an auditor or other third party to verify the Issuer's management of proceeds, the Issuer must make the report produced by the auditor or other third party publicly available on a website designated by the Issuer at the time of the issuance of the Bonds.</p>	<p>The issuer will disclose the amount of proceeds allocated to the Eligible Projects and the balance of unallocated proceeds in its allocation reporting.</p> <p>The Framework discloses the intended temporary placement for the balance of unallocated net proceeds.</p> <p>The issuer will track the allocation of funds internally. The issuer has communicated that it will engage a third party to verify its internal tracking and allocation process, if needed.</p>	<p>An area of improvement will be to state in the Framework that the issuer will undertake periodic reconciliation of the tracked proceeds to allocations made to Eligible Projects.</p> <p>The issuer will invest the balance of unallocated proceeds in liquid marketable instruments in accordance with its liquidity management policy.</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>
<p>Reporting</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>The issuer has committed to publish a Sustainability Sukuk Report on its corporate website, which includes allocation reporting and impact reporting.</p> <p>(a) Allocation Reporting</p> <p>The section on allocation in the Sustainable Finance Report will include, among others:</p> <ul style="list-style-type: none"> Aggregate amounts of funds allocated to each Eligible Category, including examples of the Eligible Assets Removal or substitution of Eligible Assets The remaining balance of unallocated proceeds at the end of the reporting period. <p>(b) Impact Reporting</p> <p>Where possible, the issuer will report on the impacts associated with the Eligible Projects.</p>	<p>An area of improvement will be to state in the Framework that the issuer will disclose the key underlying methodology and/or assumptions used in the quantitative determination.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>4.4.4 It is recommended that the Issuer's annual reporting on the Use of Proceeds be supplemented by a confirmation of such Use of Proceeds by an external reviewer along with any relevant updates of the external review.</p> <p>4.4.5 The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the Bonds.</p> <p>Disclosure Requirements</p> <p><u>SRI Sukuk Framework</u></p> <p>7.16 The following information must be included:</p> <ul style="list-style-type: none"> a) The overall SRI objectives that the issuer intends to achieve; b) The utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for refinancing, an issuer must provide the amount of proceeds being allocated for refinancing and which Eligible SRI projects to be refinanced; c) The Eligible SRI projects in which the proceeds will be allocated; d) The details of the Eligible SRI projects and to the extent possible, impact objectives from the Eligible SRI projects; e) The processes used by the issuer to evaluate and select the Eligible SRI projects; f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects; g) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and 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>The Framework has not disclosed that the issuer's annual reporting on the Use of Proceeds will be supplemented by an external reviewer's confirmation.</p> <p>Updates of the external review are encouraged by the ASEAN Standards but are strictly voluntary.</p> <p>The issuer has committed to providing information items (a), (c), (d), (e), (f), (g), and (h) within its Sustainability Sukuk Framework.</p>	<p>While not stated in the Framework, the issuer has communicated that it will engage a third party to verify its internal tracking and allocation process, if needed.</p>
<p>External Review</p> <p><u>SRI Sukuk Framework</u></p> <p>7.17 If an external reviewer is appointed to assess and provide a report on the Eligible SRI projects or the issuer's compliance with the requirements under these Guidelines, such external reviewer's report must be made available on the designated website.</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 issuer's corporate website.</p>	<p>MARC Ratings has established a transparent score-based framework for its green, social and sustainability bond assessments that is published on its website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><u>ASEAN GBS/ SBS/ SUS</u></p> <p>5.1 Issuers are recommended to appoint external review providers for the bond issuances or programmes.</p> <p>5.2 The external review may be partial, covering only certain aspects of the bond's 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>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' IBA methodology that is publicly accessible from its corporate website.</p>	

THE UN SUSTAINABLE DEVELOPMENT GOALS



GOAL 1: End poverty in all its forms everywhere



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



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



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



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



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



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



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



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



GOAL 10: Reduce inequality within and among countries



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



GOAL 12: Ensure sustainable consumption and production patterns



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



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



GOAL 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss



GOAL 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels



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

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