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MARC RATINGS BERHAD

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BERAPIT MOBILITY SDN BHD

**PRE-ISSUANCE SUSTAINABILITY SUKUK
FRAMEWORK ASSESSMENT**

SEPTEMBER 2024



**SUSTAINABILITY SUKUK
FRAMEWORK ASSESSMENT**

MARC Ratings Berhad has been engaged by Berapit Mobility Sdn Bhd (Company Registration No: 202301035295 (1529218T)) as an independent external reviewer for its Sustainability Sukuk Framework. This external review was conducted according to the analytical framework in MARC Ratings' Impact Bond Assessment (IBA) methodology that is published on its website.

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SUMMARY

Berapit Mobility Sdn Bhd (BMSB) (Company Registration No: 202301035295 (1529218T)) has engaged MARC Ratings Berhad to review its Sustainability Sukuk Framework (the Framework).

The review consists of three parts: an impact significance analysis based on BMSB'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) (ASEAN Standards); 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 BMSB's sustainability implementation capacity and performance.

The Framework has been established to outline the guidelines and principles for BMSB's issuance of Sustainability Sukuk under its Sustainability Islamic Medium-Term Notes Programme (Sustainability Sukuk Wakalah Programme) of up to RM1.5 billion in nominal value. The proceeds raised from the issuance of Sustainability Sukuk will be utilised to carry out the remanufacturing/manufacturing of the locomotives and wagons of Railway Assets Corporation's (RAC) cargo fleet that will bring environmental and social benefits in close 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.

For governance purposes, BMSB has set up a Sustainability Working Group (SWG) to oversee and monitor the selection of all expenditures, investments, and assets that meet the Framework's sustainability criteria, ensuring financed activities comply with environmental regulations and contribute to positive environmental outcomes. This process aligns with BMSB's internal procedures and ensures compliance with environmental and social risk management practices. Ultimately, the SWG is responsible for ensuring all investments meet sustainability goals and deliver positive environmental, economic, and social benefits, in accordance with the Framework.

The net proceeds from the issuance of the Sustainability Sukuk will be credited into a Disbursement Account jointly operated by AmlInvestment Bank Berhad (AIBB) and BMSB, with AIBB acting as the security agent for the sukukholders. AIBB will be responsible for ensuring the allocation of sukuk proceeds corresponds with the Framework. The Framework aligns BMSB's post-issuance tracking and reporting on the Use of Proceeds with the SC's SRI Sukuk Framework. BMSB shall prepare an annual report regarding the allocation of proceeds as well as the environmental, social, and economic impacts of the Project. BMSB will disclose information on qualitative performance indicators and, where feasible, quantitative metrics and the key underlying methodology and/or corresponding assumptions. 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 IBA methodology, we have assigned a "Gold" assessment to the Framework. We also opine that the Framework corresponds to the core components of the GBP/SBP/SBG, GBS/SBS/SUS, and the SRI Sukuk Framework.

Introduction

SMH Rail Sdn Bhd (SMH)

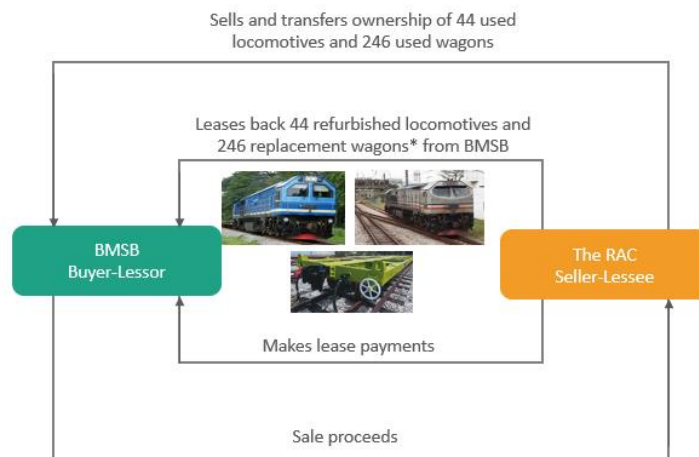
SMH, incorporated in 2000, is Malaysia’s largest private prime rolling stock manufacturer, and maintenance, repair, and overhaul (MRO) services provider. Headquartered in Malaysia, SMH and its subsidiaries (the Group) has a global footprint with operations in Malaysia, Cambodia, India, Tanzania, Thailand and Saudi Arabia.

The suite of products and services provided by SMH encompasses solutions related to passenger rolling stock, freight rolling stock, rolling stock components, MRO services, and rail freight solutions. SMH intends to contribute towards a safer, more energy-efficient, and low-emission railway system by designing and delivering passenger and freight transportation solutions. The Group aims to support a just transition by offering solutions for cleaner and more efficient transport modes.

Berapit Mobility Sdn Bhd (BMSB)

BMSB was incorporated in September 2023 as a subsidiary of SMH. The company was established solely to carry out RAC’s cargo fleet remanufacturing/manufacturing project.

On February 19, 2024, BMSB entered into an Agreement for the Sale and Leaseback (Locomotives) with RAC, a federal statutory body under the Ministry of Transport, following SMH’s successful bid to remanufacture/manufacture RAC’s cargo fleet. Separately, BMSB also signed an Agreement for the Sale and Leaseback (Wagons) with RAC. Under these agreements, BMSB will acquire ownership of 44 locomotives and 246 wagons as the buyer-lessor. BMSB will then provide the remanufactured/manufactured locomotives and replacement wagons to RAC, the seller-lessee. BMSB is responsible for the scheduled maintenance of the fleet over the duration of the respective lease agreements, which will expire 25 years after the respective delivery dates of the last locomotive and wagon.



* BMSB is responsible for the scheduled maintenance of both the leased locomotives and replacement wagons throughout the entire duration of the respective 25-year lease agreements.

To partially finance the costs associated with the Project, a Sustainability Islamic Medium-Term Notes (Sustainability Sukuk) is set up under the Sustainability Sukuk Wakalah Programme, of up to RM1.5 billion in nominal value. BMSB is required to remain a direct subsidiary of SMH and maintain its status as a single-project company for the duration of the programme.




Under the Project, SMH acts as sponsor and liquidity provider for BMSB’s Sustainability Sukuk. As SMH’s subsidiary, BMSB will leverage SMH’s experience to ensure its compliance with regulatory requirements related to sustainability in the rail industry.

RAC’s Cargo Fleet Remanufacturing/Manufacturing Project

The agreements with RAC entail BMSB’s acquisition of 44 used locomotives manufactured between 2002 and 2005, and the existing wagon fleet from RAC. The acquired fleet consists of 20 Class 29 locomotives, 19 Class 26 locomotives, five Class 25 locomotives, 195 Bogie Container Flat (BCF) wagons, and 51 Bogie Rail Flat (BRF) wagons. Under the corresponding agreements, BMSB is required to refurbish the locomotive fleet, supply 246 BCF replacement wagons, and conduct scheduled maintenance of the fleet over the entire duration of the respective lease agreements.

BMSB is responsible for refurbishing and/or replacing the fleet of acquired trains and wagons so as to meet the specific technical parameters outlined in the respective lease agreements, as described in the following tables:

Locomotive Fleet

| | CLASS 25 | CLASS 26 | CLASS 29 |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| |  |  |  |
| Original Builder | Electro-Motive Diesel (General Motors) | Bombardier and General Electric (GE) | Dalian Locomotive and Rolling Stock Company |
| Build year | 2002 | 2003-2004 | 2005 |
| Locomotive type | Shunting | Mainline | Mainline |
| Total number in fleet | Five (5) | Nineteen (19) | Twenty (20) |
| TECHNICAL PARAMETERS FOR REFURBISHED FLEET PER LEASE AGREEMENT FOR ROLLING STOCK (LOCOMOTIVES) | | | |
| Track gauge | 1,000 mm | 1,000 mm | 1,000 mm |
| Loading, structure gauge & kinematic envelope | KTMB standards | KTMB standards | KTMB standards |
| Couplers type & height | AAR approved design & 850 mm | AAR approved design & 850 mm | AAR approved design & 850 mm |
| Diesel engine | Internationally well-proven diesel engine. Rail traction application. Suitable for shunting/1000 tonnes pull application. | Internationally well-proven diesel engine. Rail traction application. Suitable for 2000 to 3000 tonnes pull application. | Internationally well-proven diesel engine. Rail traction application. Suitable for 2000 to 3000 tonnes pull application. |
| Brake system | AAR compliant | UIC compliant | UIC compliant |
| Bogie wheel arrangements | Co-Co wheel arrangement | Co-Co wheel arrangement | Co-Co wheel arrangement |
| Driving cab | Twin cab | Twin cab | Twin cab |
| Axle loads | Less or equal to 16 tonnes | Less or equal to 20 tonnes | Less or equal to 20 tonnes |
| Design & operation speed | Design speed – 107 km/h Operating speed – 90 km/h | Design speed – 140 km/h Operating speed – 120 km/h | Design speed – 140 km/h Operating speed – 120 km/h |

Replacement Wagon Fleet

| GENERAL SPECIFICATIONS FOR FLAT WAGON | |
|-----------------------------------------------|--------------------------------------------------------|
| Track gauge | 1,000 mm |
| Loading, structure gauge & kinematic envelope | KTMB standards |
| Axle load | 20-tonne |
| Couplers type & height | AAR – Automatic knuckle coupler & 850 MM |
| Remote monitoring system | GPS-based system with enhanced asset health data |
| Wagon floor height from rail level | 1,010 mm |
| Brake systems | UIC compliant |
| Minimum clearance above rail level | 125 mm |
| Design & operation speed | Design speed – 120 km/h Operating speed – 100 km/h |
| Type of flat wagons | 1-unit 40ft ISO Container 2-unit 20ft ISO Container |

The Project’s remanufacturing, manufacturing, and maintenance facilities are scheduled for completion in the third quarter of 2024. The Project will leverage existing infrastructure, as the facilities are located adjacent to SMH's existing locomotive and freight wagon manufacturing plant in Klang. This aligns with current zoning regulations, away from areas with sensitive land uses. The Project can utilise existing infrastructure such as roads, utilities, and water or sewer systems, given that it is not a newly acquired greenfield site. This significantly reduces potential environmental, economic and public health impacts.

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COMPLIANCE REVIEW FORM

01 IMPACT SIGNIFICANCE ANALYSIS

Our qualitative analysis of the Use of Proceeds impact 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 Framework has been developed to outline how BMSB intends to fund projects through Sustainability Sukuk that will deliver environmental and social benefits in close alignment with the SDGs. The net proceeds of the Sustainability Sukuk will be utilised to finance or refinance, in whole or in part, new or existing development expenditures that support the transition towards a more resource-efficient economy.



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


1. Eco-efficient and/or Circular Economy Adapted Products, Production Technologies and Processes
2. Pollution Prevention and Control
3. Sustainable Water and Wastewater Management
4. Clean Transportation / Climate Transition

ELIGIBLE CATEGORIES FOR USE OF PROCEEDS



Eligible Green Projects

| | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 1 | Eco-efficient and/or circular economy adapted products, production technologies and processes | | |
| Eligibility Criteria: Acquisition of used rolling stock and the development, acquisition, construction, installation and maintenance of remanufacturing/manufacturing infrastructure, including: <ul style="list-style-type: none"> • Acquisition of rolling stock from RAC • Operation of infrastructure including workshops, cleaning facilities, painting and drying facilities, quality control and inspection stations, and training facilities • Installation and maintenance of equipment such as cranes, material handling equipment, computerised diagnostic systems and testing equipment, and welding and fabrication tools | | | |
| Sustainability Objective | Sustainability Benefit | Corresponding to the UN SDGs | |
| <ul style="list-style-type: none"> • To reduce resource consumption in relation to the development of rolling stock, increasing resource efficiency • To avoid waste generation associated with the disposal of used rolling stock • To extend the life cycle of used rolling stock | <ul style="list-style-type: none"> • Conserving natural resources while minimising waste associated with the transportation industry • Closing the loop in the production of rolling stock, lowering environmental and carbon footprint • Mitigating climate change by incorporating the circular |   <p>Alignment to the UN SDGs:</p> <p>UN SDG 8, Target 8.4</p> <ul style="list-style-type: none"> • Enhance resource efficiency throughout the consumption and production processes, working towards decoupling economic growth from environmental degradation. | |

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> To reduce greenhouse gas (GHG) emissions from manufacturing new locomotives and wagons throughout their supply chains | <p>economy concept in the transportation industry</p> | <p>UN SDG 12, Target 12.2 & 12.5</p> <ul style="list-style-type: none"> Achieve efficient resource management and significantly reduce waste generation through prevention, reduction, recycling, and reuse of materials. <p>Indicative measurement:</p> <ul style="list-style-type: none"> Increase in the lifespan of fleet vehicles through remanufacturing compared to traditional end-of-life disposal practice Expected reduction in GHG emissions per year resulting from the use of remanufactured, more energy-efficient cargo fleet vehicles Reduction in raw material consumption for remanufactured vehicles compared to new ones (%) Safety improvements made to the cargo fleet vehicles, such as the installation of advanced safety features or technologies, leading to a decrease in safety incidents |
| <p>2 Pollution prevention and control</p> | | |
| <p>Eligibility Criteria: Pollution prevention and control, and associated environmental monitoring, including:</p> <ul style="list-style-type: none"> Maintenance of processes, systems, and/or equipment to reduce air pollution, including air pollution control systems that capture and treat emissions from manufacturing processes, as well as fire protection equipment Operation of waste segregation and recycling facilities Performance of environmental monitoring activities including on-site due diligence/ regular inspection of facilities Implementation of employee training and education programmes on proper waste handling, recycling practices, and pollution prevention measures | | |
| <p>Sustainability Objective</p> | <p>Sustainability Benefit</p> | <p>Corresponding to the UN SDGs</p> |
| <ul style="list-style-type: none"> To prevent pollution and reduce the environmental impact of manufacturing processes through the adoption of technological innovations To mitigate potential environmental impacts through proper waste management To build employee capacity in matters related to environmental management | <ul style="list-style-type: none"> Safeguarding ecosystems and human health by preventing harmful substances from contaminating soil, water, and air. 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 | <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div style="text-align: center;">  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> </div> </div> <p>Alignment to the UN SDGs:</p> <p>UN SDG 3, Target 3.9</p> <ul style="list-style-type: none"> Substantially reduce the number of deaths and illnesses caused by hazardous chemicals, as well as air, water and soil pollution and contamination. <p>UN SDG 12, Target 12.4 & 12.5</p> <ul style="list-style-type: none"> Substantially reduce waste generation through prevention, reduction, recycling, and reuse, and minimise adverse |

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none"> Promoting workplace health and safety via stringent pollution control measures that protect employees from exposure to hazardous materials | <p>impacts on human health and the environment through environmental management.</p> <p>Indicative measurement:</p> <ul style="list-style-type: none"> Implementation of sustainable practices in fleet maintenance Adoption of eco-friendly technologies or materials in the remanufacturing process |
| <p>3 Sustainable water and wastewater management</p> <p>Eligibility Criteria:</p> <p>Implementation of initiatives to reduce water consumption, optimise water usage, and ensure responsible wastewater management practices, including:</p> <ul style="list-style-type: none"> Implementation of water-saving technologies Installation of rainwater harvesting systems for non-potable purposes, such as industrial and cleaning processes Operation of wastewater treatment systems to treat contaminated water resulting from cleaning processes, equipment maintenance, or other activities Implementation of measures to prevent stormwater runoff from carrying contaminants into waterways Maintenance of wastewater monitoring equipment and systems to ensure compliance with environmental standards Conducting third-party audits and verification of sustainability performance Performance of water footprint assessment to identify areas with high water consumption and develop targeted strategies for reduction | | |
| Sustainability Objective | Sustainability Benefit | Corresponding to the UN SDGs |
| <ul style="list-style-type: none"> To promote the efficient use of water resources and reduce consumption To implement sustainable and responsible wastewater management systems by minimising the pollution of water bodies from wastewater discharge To maintain healthy water quality to protect aquatic ecosystems and public health | <ul style="list-style-type: none"> Conserving the environment and ensuring long-term sustainability of water resources Complying with environmental regulations and standards to ensure good relationship with the community Protecting aquatic ecosystems from hazardous particles and other pollutants Safeguarding proper sanitation for public health by minimising the risk of water-borne diseases, and generally promoting public well-being. |  <p>Alignment to the UN SDG:</p> <p>UN SDG 6, Target 6.3 & 6.4</p> <ul style="list-style-type: none"> Improve water quality by reducing pollution and minimising the release of hazardous chemicals and materials, while substantially increasing water-use efficiency in the production process. <p>Indicative measurement:</p> <ul style="list-style-type: none"> Implementation of sustainable practices in fleet maintenance |

Eligible Green/Social Projects

| 1 Clean transportation / Climate transition | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Eligibility Criteria: Designing and manufacturing of rolling stock, and installation of technologies and/or components that contribute directly or indirectly to the reduction of carbon dioxide (CO₂) per tonne-km for freight rail and/or pollution prevention and control, including:</p> <ul style="list-style-type: none"> • Installation of energy-efficient engines¹ to reduce energy consumption and GHG emissions and/or air pollutants • Manufacture of freight wagons • Manufacture of spare mainline and shunting locomotives • Maintenance management and condition monitoring technology and software that support early maintenance planning and predictive maintenance of rolling stock • Operation of infrastructure including depot(s), cleaning facilities, wheel shop, inspection pits, parts storage facilities, and training facilities • Installation of equipment for rolling stock maintenance • Maintenance of a critical inventory of spare parts, components, and supplies | | |
| Sustainability Objective | Sustainability Benefit | Corresponding to the UN SDGs |
| <ul style="list-style-type: none"> • To develop infrastructure that supports the adoption of low-emission freight transportation • To reduce emissions of GHG and other harmful exhaust, minimising pollution and other negative impact on the climate that affects public health • To lower the reliance on road transportation for freight movement, reducing fossil fuel consumption and its associated costs • To create new jobs throughout the supply chain in green transportation infra- | <ul style="list-style-type: none"> • Increasing the efficiency and utilisation of rail transport, contributing towards the national sustainable transport agenda • Reducing air and noise pollution, safeguarding public health and ecological well-being • Reducing the negative environmental impact by lowering air and noise pollution that can negatively impact public health • Minimising road congestion and improving road safety • Reducing capital investment for road infrastructure | <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> </div> <div style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> </div> <p>Alignment to the UN SDGs:</p> <p>UN SDG 9, Targets 9.1</p> <ul style="list-style-type: none"> • Support the adoption of reliable, sustainable, and resilient mode of freight transportation, accelerating economic development and improving the nation's well-being. <p>UN SDG 3, Targets 3.9</p> <ul style="list-style-type: none"> • Substantially reduce the effects of air pollution on human health, including but not limited to illness and death. <p>Indicative measurement:</p> <ul style="list-style-type: none"> • Reduction in energy consumption per unit of cargo transported as a result of fleet re-manufacturing • Intermodal freight capacity provided by the leased fleet • Contribution to the economic sustainability goals of the public rail sector • Compliance with industry standards and regulations related to occupational health and safety |

¹ BMSB will replace the locomotive engines with newer models that meet the more stringent Tier-3 emission standards set by the United States Environmental Protection Agency (EPA). Tier-3 compliant engines are more fuel-efficient with lower GHG emissions due to the incorporation of advanced combustion technologies, optimised fuel injection, and improved aftertreatment systems.

| | | | |
|--|------------------------------------------------------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | structure development to support climate transition ² | | <ul style="list-style-type: none"> Number of jobs created or sustained as a result of the remanufacturing project, both directly (e.g. through employment at the project site) and indirectly (e.g. through supply chain support) |
|--|------------------------------------------------------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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

Overall Impact Significance

The Framework sets forth principles under which BMSB intends to issue financing instruments to fund the cost and expenses associated with the cargo fleet remanufacturing/manufacturing project, in alignment with the principle of substantial contribution to climate change mitigation. The six (6) eligible green and social categories identified in the Framework align with the project categories recognised by ICMA’s GBP/SBP/SBG, the ASEAN GBS/SBS/SUS, and SC’s SRI Sukuk Framework.

BMSB’s cargo fleet remanufacturing/manufacturing project extends the rail assets’ lifespan, promoting a more energy-efficient, low-emission, and cost-effective way to transport goods. While the Company has informed us that the lack of information makes it difficult to precisely quantify the Project’s impact, it intends to rely on project-specific assumptions to estimate the environmental benefits, which will be disclosed where possible.

Generally, remanufactured rolling stock presents a lower carbon footprint compared to newly constructed units. Moreover, retrofitting existing rolling stock with low-carbon technologies yields substantially greater carbon reductions over time than delaying investments in anticipation of zero-emission alternatives, as the environmental benefits accumulate progressively. Conversely, inaction would result in high operational costs and diminish the reliability of the old rolling stock, thereby hindering a modal shift. Even during the transitional phase, diverting traffic from air or road to diesel-powered rail can achieve carbon emission reductions of at least 70% per tonne-kilometre.³

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 align with BMSB’s sustainability approach, the UN SDGs, and national sustainable development priorities.

Exclusion Criteria

BMSB commits to refrain from allocating proceeds from the Sustainability Sukuk to activities or transactions that do not comply with local laws and regulations, including laws and regulations concerning environmental protection, land use, human rights, bribery, anti-corruption, and labour welfare.

The Framework prohibits financing activities that are not considered environmentally and/or socially sustainable under any circumstances, including activities related to:

1. Alcohol
2. Gambling
3. Tobacco

² Taking both the refurbished locomotives and the replacement wagons into consideration, 60% of the components will be sourced locally, with the remaining 40% imported.

³ Lawrence, M., & Bullock, R. (2022). *The role of rail in decarbonizing transport in developing countries*. Mobility and Transport Connectivity Series. World Bank.

4. Weaponry
5. Exploitation of human rights
6. Modern slavery
7. Child labour

This list of excluded activities will be subject to ongoing review and updates to reflect evolving environmental and social standards.

| | | |
|-------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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 realisation of long-term integrated visions of sustainable development that are consistent with global sustainability goals, as well as national sustainable development goals and priorities. |
| <input checked="" type="checkbox"/> | 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, THE 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 Sukuk proceeds shall be utilised for the following purposes that are Shariah-compliant and aligned to the eligibility criteria of ICMA's GBP/ SBP/ SBG, the ASEAN GBS/ SBS/ SUS, and SC's SRI Sukuk Framework:

- To part finance all fees, costs and expenses in relation to the Project and the manufacturing/remanufacturing of such spare rolling stock, including the refinancing of any bridging facilities undertaken for the Project
- To fund all fees, expenses, and reserve requirement associated with the Sustainability Sukuk Wakalah Programme
- To refinance the Sustainability Sukuk

Where possible, BMSB aims to align project funding with Bank Negara Malaysia's (BNM) Climate Change and Principle-based Taxonomy (CCPT) and SC's Principles-Based Sustainable and Responsible Investment Taxonomy for the Malaysian Capital Market (SRI Taxonomy), supporting the transition to low-carbon transportation.

In cases of refinancing, BMSB shall endeavour for refinanced pre-issuance investments and/or expenditures to have a lookback period of no more than a year prior to the date of issuance of the Sukuk.



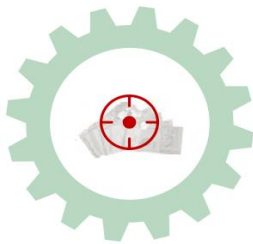
Principle Two: Process for Project Evaluation and Selection

BMSB has established a SWG comprised of its top management representatives from Finance, Operations, and Human Resources, led by the Chairman and Managing Director (CMD). The SWG governs the selection and monitoring of all expenditures, investments, and assets that meet the eligibility criteria established by this Framework. It also ensures that the financed activities comply with relevant environmental laws and regulations. This is achieved through evaluations of proposed allocations, considering their potential benefits and risks, including any potential negative social and environmental impacts, before granting approval for allocation.

The Company's operations, production, and finance departments will identify investments and expenditures that meet the requirements under the Framework and align with BMSB's objectives. BMSB aims to integrate SMH's sustainability practices into its decision-making structures, operating procedures, and risk management processes. By doing so, BMSB seeks to reduce environmental impact and ensure compliance with environmental regulations throughout the Project's life cycle. In addition, the SWG is responsible for ensuring the timely identification and

escalation of any environmental and social risks associated with the Project, particularly those that could negatively impact the environment, stakeholders, or the Sukuk's overall objectives. This process supports the prompt resolution of identified concerns.

The approval of the eligible investments and expenditures at the corresponding management level is in accordance with BMSB's internal authorisation procedures. Management will work to ensure its compliance with standard environmental and social risk management practices. By harnessing the collective expertise of the SWG, as well as drawing upon the knowledge and experience of SMH where applicable, BMSB looks to ensure that proposed investments meet the Framework's eligibility criteria and drive positive environmental, economic, and social impact.



Principle Three:
Management of
Proceeds

Upon issuance, the Sustainability Sukuk proceeds will be credited into the Disbursement Account jointly operated by AIBB and BMSB, with AIBB acting as the security agent for the sukukholders. AIBB is obligated to ensure that the allocation of Sukuk proceeds adheres to the terms and conditions established within the financing documents associated with the Sustainability Sukuk Wakalah Programme. Upon full delivery of the rolling stock in connection with the Project, any unutilised amount will be transferred to the Revenue Account and the Disbursement Account will be closed thereafter. The Revenue Account will be jointly managed by BMSB and AIBB. However, in the event of default, the account will be managed solely by AIBB.

Net proceeds from issuances of the Sustainability Sukuk pending allocation may be temporarily invested into Shariah-permitted instruments approved by the SC and/or BNM's Shariah Advisory Council as follows:

- (a) Mudarabah, Wadiah, Murabahah (via Tawarruq arrangement), and/or other Islamic deposit instruments that comply with Shariah principles held with licensed financial institutions that possess a short-term rating of MARC-1 by MARC Ratings or its equivalent, and a minimum long-term rating of AA- by MARC Ratings or its equivalent.
- (b) Islamic Treasury Bills, Islamic money market instruments, and/or sukuk issued or guaranteed by BNM or the Malaysian Government.
- (c) Islamic Banker's Acceptances, Islamic Bills, and other Islamic money market instruments issued by licensed financial institutions with a short-term rating of MARC-1 by MARC Ratings or its equivalent, and a minimum long-term rating of AA- by MARC Ratings or its equivalent.



Principle Four: Reporting

BMSB will publish allocation and impact reporting annually and as and when there are any material developments, on a designated website, until the maturity of the Sustainability Sukuk. The level of detail of such reporting will be subject to practicality, confidentiality, and other relevant considerations.

Allocation Reporting

- The section on allocation in the Sustainability Sukuk Report will include, among others:
 - Amount of allocated proceeds by eligible category, including a brief description of utilisation
 - Amount of proceeds pending allocation
 - Temporary placement or investment of outstanding proceeds pending allocation.

Impact Reporting

For transparency purposes, BMSB will work to report the qualitative performance indicators of the environmental and social impacts associated with the Eligible Projects funded with the proceeds, as well as quantitative metrics, where possible. Subject to information availability, BMSB will also include the key underlying methodology and/or corresponding assumptions to provide investors and stakeholders with a holistic view of the Project's impact.

The Issuer retains the option to seek post-issuance external review on its compliance with the Framework at its sole discretion.

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 |

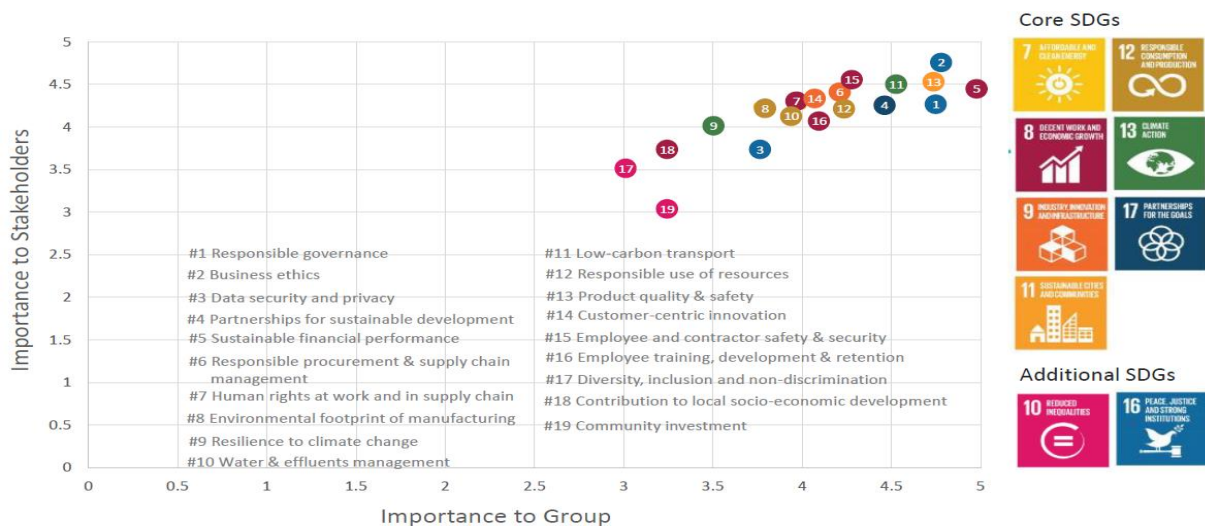
Equal weighting is given to each of the four principles in arriving at the total score which is then expressed on the above four-point descriptive scale which ranges from High to Low.

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





03 ANALYSIS OF SUSTAINABILITY PERFORMANCE

BMSB, a subsidiary of SMH, aligns with SMH’s commitment to become a socially and environmentally responsible organisation in the rail industry. To achieve this, the newly established BMSB will draw on SMH’s experience and processes, and align with SMH in terms of decision-making structures, operating practices, and environmental impact mitigating procedures and processes, ensuring compliance with environmental regulations throughout the product’s life cycle.

SMH has begun integrating environmental, social and governance (ESG) principles into its corporate strategies and operations. However, the Group is cognisant of the need to enhance the ESG aspect of its business. SMH’s focus on sustainability to date comprises material ESG risks and emerging opportunities, defined by stakeholders’ expectations and industrial benchmarking. The following materiality matrix characterises SMH’s ESG focus:



Based on the materiality matrix, a sustainability roadmap, aligned with Malaysia’s sustainable transport agenda and climate goals, has been outlined. The roadmap provides a high-level overview and looks into the specifics of planned and ongoing strategic sustainability initiatives, including time-line and key milestones, serving as a guideline for SMH and its subsidiaries to integrate sustainability into their operations, products, and services. The roadmap focuses on four key areas, namely governance, operations, products/services and as well as people and society:

| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Our Governance</p> <ul style="list-style-type: none"> Establishing board accountability Enhancing stakeholder engagement Integrating sustainability into strategic planning and risk management processes Fostering a culture of sustainability |  | <p>Our Operations</p> <ul style="list-style-type: none"> Reducing our energy and carbon footprint reduction Ensuring supply chain responsibility Improving resource efficiency at our manufacturing sites Continuous improvement and innovation to drive sustainable manufacturing practices |
| <p>Our Products/Services</p> <ul style="list-style-type: none"> Providing modern, climate-friendly rolling stock to enable green mobility and logistic options Extending the life of rolling stock Increasing the productivity in rail freight transport Providing innovative solutions which are more adaptable and flexible towards customer needs |  | <p>Our People and Society</p> <ul style="list-style-type: none"> Prioritising employee health and safety through robust occupational health and safety practices. Promoting human capital development via skills development and training Supporting local value creation through local procurement and local content programmes. |  |

While SMH's sustainability initiatives currently focus on extending its products' life cycle and enhancing productivity, SMH also looks to implement iterative processes for continuous improvement in energy usage, waste generation, and resource consumption.

Sustainability Governance and Risk Management

BMSB has established governance structures to drive value creation and impact, following in SMH's footsteps. Although not explicitly tasked with overseeing sustainability, SMH's Board implicitly bears the responsibility of managing ESG risks to safeguard the Group's long-term value. To date, the Board has yet to form a dedicated sustainability committee.

Most of SMH's sustainability initiatives remain in the planning or developmental phase. To establish a foundation for its sustainability efforts, SMH looks to collect environmental data, including energy use, emissions, water consumption, and waste generation, which will be used to establish baselines and set measurable targets. While SMH's current major component suppliers are recognised industry leaders in sustainability (including Alstom SA, General Electric Companies, Thales Group, and Wabtec Corporation), a formal Sustainable Procurement Policy has yet to be integrated into the procurement process. SMH has established a principle-based sustainability policy recently to ensure ESG integration in its operations.

The SWG was formed to ensure the proper governance of the Project's sustainability matters. Led by the CMD, the SWG is responsible for overseeing the Project's sustainability-related matters and ensuring its compliance with the relevant regulations. BMSB looks to establish a process involving the business units, SWG, senior management and the Board, to identify, escalate and report issues that will potentially harm or impede the stakeholders, environment, and the Project.

The remanufactured/manufactured rolling stock's design, safety and disposal are among the considerations in the group's efforts to mitigate ESG risks throughout the Project's life cycle. During the construction and commissioning phase, BMSB will focus on the proper handling and disposal of hazardous chemicals to ensure its employees' safety and well-being as well as safeguard the environment.

For the remanufacturing/manufacturing and maintenance phases, BMSB will leverage existing group-wide environmental, health, and safety practices, including the implementation of proper waste management, provision of necessary training and protective equipment, and ensuring a safe working environment. Areas for improvement will be identified and addressed as operations progress. The maintenance phase prioritises compliance with environmental regulations and standards, such as minimising waste generation, optimising energy use, reducing emissions, and utilising eco-friendly materials whenever possible.

Over the Project's lifespan, BMSB seeks to mitigate risks associated with labour practices, community impacts, supply chain and other stakeholder-related matters. BMSB will encourage the adoption of sustainable practices among suppliers, such as environmental stewardship and fair labour practices.

Rail's Contribution to Climate Transition

The transportation sector faces significant challenges — traffic congestion, rising energy costs, and climate change. This signifies the growing need to move towards sustainable and efficient transportation solutions.

The Project is anticipated to reduce the need for highway expansion and lessen sensitivity to fluctuating fossil fuel prices, as a result of a potential decrease in overall truck fuel consumption, with more

freight shifts to rail. SMH aims to reduce the overall energy demand of rail transportation by utilising propulsion technologies, lightweight materials, regenerative braking systems, predictive maintenance technologies, and remote monitoring.

A modal shift to low-carbon transport is crucial to achieve net zero by 2050, as called for in the Paris Agreement. Compared to other modes of transportation, rail is generally more energy efficient and produces lower GHG emissions per passenger or tonne of goods travelled. Despite the current unavailability of fully-electrified rail, shifting traffic from air or road to diesel-powered rail provides cumulative long-term emission reduction in the interim. By way of demonstration, shifting one tonne-kilometre of freight from heavy truck to diesel bulk rail is estimated to reduce 55 gCO₂e in emissions.⁴

Advancements in technology, infrastructure, and stricter environmental regulations will lead to a gradual shift to lower emission rolling stock. Studies suggest that diesel-electric locomotives have the potential to be converted to battery-electric ones while maintaining high efficiency, allowing for a gradual transition to a more sustainable energy mix with reduced air pollutants and GHG emissions.⁵ SMH's diverse rolling stock portfolio helps position the group for resilience, enabling the adaptation towards climate transition.

In addition to mitigating climate change, the rail fleet remanufactured by BMSB will support inter-modal freight, serving various industries across the economy, including agriculture, chemicals, manufacturing, retail, and resource-based sectors. This improves supply chain efficiency and contributes to economic growth by creating additional freight capacity to meet future demands.

Sustainability Benefits of Rolling Stock Remanufacturing and Maintenance

BMSB's business activities are limited to implementing RAC's rolling stock remanufacturing/manufacturing project under a sale and leaseback structure. The remanufacturing of locomotives promotes the reuse and extension of the lifespan of existing assets, contributing to resource conservation, waste reduction, and lower GHG emissions compared to manufacturing new equipment.

As BMSB's holding company, SMH offers modern and reliable rolling stock, designed with a focus on lower life cycle costs and increased capacity to meet growing passenger and freight demands. This translates to a more cost-effective, punctual, and environmentally friendly shipping option for freight forwarders and shippers. Additionally, the MRO services that SMH offers extend the lifespan of existing rolling stock, with retrofitting and modernisation options. This promotes sustainable procurement, taking product life cycle into consideration. Most importantly, SMH's services enable railway operators to transition their locomotive fleets when zero-emission technologies achieve commercial viability and operational reliability in the future.

The locomotive fleets acquired by BMSB will be repowered with engines that meet EPA Tier-3 emission standards. Upgrading from Tier-0 to the more stringent Tier-3 standards will impose stricter limits on emission of air pollutants such as nitrogen oxides (NO_x) and particulate matter (PM_{2.5})⁶, which are associated with various respiratory and cardiovascular health risks. NO_x also causes ozone pollution. As locomotives have long lifespans, the transition to cleaner technology will benefit both the environment as well as public health.

⁴ "Lawrence, Martha, and Richard Bullock. 2022. *The Role of Rail in Decarbonizing Transport in Developing Countries*. Mobility and Transport Connectivity Series. © World Bank."

⁵ "Popovich, N.D., Rajagopal, D., Tasar, E. et al. Economic, environmental and grid-resilience benefits of converting diesel trains to battery-electric. *Nat Energy* 6, 1017–1025 (2021). <https://doi.org/10.1038/s41560-021-00915-5>"

⁶ "United States Environmental Protection Agency. *Locomotives: Exhaust Emission Standards*. (2016). <https://nepis.epa.gov/Exe/ZyPDF.cgi?Dockey=P100OA09.pdf>"

Through the Project, RAC and Keretapi Tanah Melayu Berhad (KTMB) will gain access to upgraded equipment while mitigating the risk of technological obsolescence. In addition, RAC and KTMB will achieve financial flexibility with predictable costs, and hence, be able to focus on their core business activities. With SMH's expertise, BMSB will be able to provide additional value to the assets, and at the same time, obtain a stable revenue stream for a 25-year duration as the buyer-lessor. Furthermore, the Project will help to foster economic growth by creating jobs, promoting domestic manufacturing, and strengthening supply chains. The refurbishment of locomotives and the replacement wagons is expected to have a combined composition of 60% locally-sourced components, which helps to promote national self-sufficiency and resilience.




Overall, BMSB's operations embody SMH's commitment to deliver sustainable transportation solutions. It also aligns with Malaysia's National Transport Policy 2019–2030, contributing to the national strategy of upgrading rail facilities to ease freight movement, as outlined in Strategy 2.3 of the policy. By extending the lifespan of railway rolling stock through remanufacturing, the Project reduces the need for resources and energy required to manufacture new products, consequently lowering emissions.

Sustainability Performance Assessment

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|-------------------------------------|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <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. |

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 ICMA’s GBP/ SBP/ SBG, the ASEAN GBS/ SBS/ SUS, and SC’s SRI Sukuk Framework

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| <p>Issuer: Malaysia Rail Link Sdn Bhd BMSB’s Sustainability Sukuk Framework</p> <p>Key additional features to comply with for sukuk issuance:</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> 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). <input checked="" type="checkbox"/> 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. <input checked="" type="checkbox"/> Periodic reporting on the allocation of the sukuk proceeds. <input checked="" type="checkbox"/> 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. |
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| Criteria | Compliance with criteria | Remarks/Scope of work undertaken |
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| <p>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></p> <p><u>SRI Sukuk Framework</u> 7.02 <i>The proceeds (of Sukuk) will be applied exclusively for funding of any activities or transactions relating to the Eligible SRI projects.</i></p> <p>7.03 <i>An issuer must not– (a) use or adopt the term “SRI sukuk”; or (b) hold itself out as an issuer of such SRI sukuk, unless the issuance of the SRI sukuk has complied with these Guidelines.</i></p> <p>7.04 <i>An issuer who wishes to issue an SRI sukuk must establish policies and processes to ensure compliance with the SRI Sukuk Framework as set out in these Guidelines.</i></p> <p>7.05 <i>The information relating to the issuer and the details of the issuer’s SRI Sukuk Framework must be made publicly accessible via a designated website to be disclosed by the issuer. Such information in the designated website must be made available at the point of issuance and throughout the tenure of the SRI sukuk.</i></p> | <p><i>The Issuer is an ASEAN issuer.</i></p> <p><i>The Sukuk proceeds will be applied exclusively for the funding of activities falling within those broad categories of eligibility recognised by the SC’s SRI Sukuk Framework.</i></p> <p><i>The Issuer intends to issue SRI sukuk that complies with the Guidelines.</i></p> <p><i>The Issuer commits to establish policies and processes as needed to ensure compliance with the SRI Sukuk Framework.</i></p> <p><i>The Issuer’s Framework will be made available at the point of issuance and throughout the tenure of the SRI sukuk via its website indicated in the Framework.</i></p> | |

| Criteria | Compliance with criteria | Remarks/Scope of work undertaken |
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| <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>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 with a combination of the following Green and Social project categories specified in paragraph 7.08 (a) and (b) of the SRI Sukuk Framework.</p> | <p>The Framework defined eco-efficient and/or circular economy adapted products, production technologies and processes, pollution prevention and control, sustainable water and wastewater management, and clean transportation/ climate transition as the Eligible Projects.</p> |

| Criteria | Compliance with criteria | Remarks/Scope of work undertaken |
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| <p>Use of Proceeds</p> <p><u>ASEAN GBS/ SBS/ SUS</u></p> <p>4.1</p> <p>4.1.1 <i>The utilisation of issue proceeds must be described in the documentation for issuance.</i></p> <p>4.1.2 <i>The Issuer must disclose the following information: The categories of eligible Green and/or Social Projects to which the issue proceeds will be allocated; and/or the information on specific Green and/or Social Projects in the case where the issuer has identified the specific Green and/or Social Projects to which the issue proceeds will be allocated.</i></p> <p>4.1.3 <i>All designated Green and/or Social Projects must provide clear environmental/social benefits, which will be assessed and, where feasible, quantified by the Issuer.</i></p> <p>4.1.4 <i>In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that Issuers provide an estimate of the share of financing and refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced and, to the extent relevant, the expected look-back period for refinanced projects.</i></p> | <p><i>The utilisation of proceeds is clearly described in the Framework.</i></p> <p><i>The eligible Use of Proceeds categories identified by the Framework are aligned with the Social and Green project categories recognised by the Standards.</i></p> <p><i>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.</i></p> <p><i>In case of refinancing, the Issuer shall endeavour for refinanced projects to have a lookback period of no more than one year from the time of issuance of each instrument.</i></p> | <p><i>An area of improvement will be to state the estimated share of refinancing — which is expected to be 27% — in the Framework.</i></p> |

| Criteria | Compliance with criteria | Remarks/Scope of work undertaken |
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| <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 which provide for its top management's involvement.</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 the 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 a designated 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>Employees and management with relevant responsibility and expertise may provide insights on environmental impact assessment and mitigation measures for projects with significant environmental implications.</p> <p>The Issuer's SWG governs the selection and monitoring of all expenditures, investments, and assets meeting the eligibility criteria established by this Framework. They also ensure the financed activities' compliance with relevant environmental laws and regulations.</p> <p>The Framework will provide information on the process for project evaluation, and the Issuer will provide information on the allocation and impacts throughout the tenure of the Sukuk on an annual basis.</p> |

| Criteria | Compliance with criteria | Remarks/Scope of work undertaken |
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| <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>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 Sustainability Sukuk proceeds will be credited into a Disbursement Account jointly operated AIBB and BMSB, with AIBB acting as the security agent for the sukukholders. AIBB is to ensure that the allocation of the proceeds adheres to the terms and conditions established.</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 issuance of the Sukuk will be jointly managed by AIBB, and BMSB. Upon full delivery of the rolling stock in connection with the Project, any unutilised amount will be transferred to the Revenue Account and the Disbursement Account will be closed thereafter. The Revenue Account will be jointly managed by BMSB and AIBB, and in the event of default, solely by AIBB.</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 net proceeds from the issue of the Sukuk will be managed by AIBB, the security agent for the sukukholders.</p> <p>BMSB retains the right to seek a post-issuance external review on its compliance with the Framework at its sole discretion.</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>Net proceeds pending allocation may be temporarily invested into Shariah-permitted instruments approved by the SC and/or BNM's Shariah Advisory Council.</p> |

| Criteria | Compliance with criteria | Remarks/Scope of work undertaken |
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| <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>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>The allocation and impact reporting will be published annually until the maturity of the Sustainability Sukuk and such reporting will be made available at a designated website.</p> <p>(a) Allocation Reporting</p> <p>The section on allocation in the annual reporting will include, among others:</p> <ul style="list-style-type: none"> • Amount of allocated proceeds by eligible category, including a brief description of utilisation • Amount of proceeds pending allocation • Temporary placement or investment of outstanding proceeds pending allocation. <p>(b) Impact Reporting</p> <p>BMSB will report the qualitative performance indicators of the environmental and social impacts associated with the Eligible Projects funded with the proceeds, as well as quantitative metrics where possible. Subject to availability of information, BMSB will also include the key underlying methodology and/or corresponding assumptions.</p> <p>BMSB retains the option to seek a post-issuance external review on its compliance with the Framework at its sole discretion.</p> | |
| <p>Disclosure Requirements</p> <p><u>SRI Sukuk Framework</u></p> <p>7.16 The following information must be included:</p> <p>a) The overall SRI objectives that the issuer intends to achieve;</p> <p>b) The 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</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>For (b), an area of improvement will be to state the estimated share of refinancing — which is expected to be 27% — in the Framework.</p> |

| Criteria | Compliance with criteria | Remarks/Scope of work undertaken |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>for refinancing and which Eligible SRI projects to be refinanced;</p> <p>c) The Eligible SRI projects in which the proceeds will be allocated;</p> <p>d) The details of the Eligible SRI projects and to the extent possible, impact objectives from the Eligible SRI projects;</p> <p>e) The processes used by the issuer to evaluate and select the Eligible SRI projects;</p> <p>f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects;</p> <p>g) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and</p> <p>h) A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI projects.</p> | | |
| <p>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 SC 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> | <p>MARC Ratings has established a transparent score-based framework for its green, social and sustainability bond assessment 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 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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