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MARC RATINGS BERHAD

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MBSB BANK BERHAD

ASEAN SRI SUSTAINABILITY SUKUK FRAMEWORK

PRE-ISSUANCE FRAMEWORK ASSESSMENT

FEBRUARY 2022



SUSTAINABILITY SUKUK
FRAMEWORK ASSESSMENT

MARC Ratings Berhad has been engaged by MBSB Bank Berhad as an independent external reviewer for its ASEAN SRI 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

MBSB Bank Berhad (MBSB Bank) has engaged MARC Ratings Berhad (MARC Ratings) to review its Sustainability Sukuk Framework (Framework) that has been established to set guidelines for the company's issuances of Sustainable Development Goals (SDG) Sukuk (hereafter, SDG Sukuk). In assigning the assessment, MARC Ratings has relied on pre-issuance information provided by MBSB Bank and associated parties as well as through interviews with the bank's management.

MARC Ratings' external review consists of three parts: an impact significance analysis based on MBSB Bank's Framework; an assessment of alignment with the ASEAN Sustainability Bond Standards (ASEAN SUS), the ASEAN Green Bond Standards (ASEAN GBS) and the ASEAN Social Bond Standards (ASEAN SBS) (collectively referred to as the ASEAN Standards) in addition to Securities Commission Malaysia's (SC) Sustainable and Responsible Investment (SRI) Sukuk Framework in the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework; and an evaluation of the issuer's sustainability implementation capacity and performance.

The Framework identifies a total of 13 Eligible Categories, each of which contributes to one or more sustainability objectives and the United Nations SDGs. The Framework aligns with its long-standing commitments to society building, its Value-Based Intermediation (VBI) objectives, and vision of becoming a top progressive Islamic bank. The Use of Proceeds outlined in the Framework spans a wide range of sectors, projects and activities with a sustainable development focus. The proceeds of the sukuk will be used to finance and/or refinance, in whole or in part, Shariah-compliant new and/or existing businesses and/or projects that meet the Framework's Eligibility Criteria (Eligible Assets). Eligible Categories under the Framework include renewable energy, clean transportation, green buildings, energy efficiency, sustainable waste and wastewater management, waste and pollution control, affordable basic infrastructure, accessible healthcare, vocational training, education, financing and financial services, employment generation, affordable housing, and food security and sustainable food systems.

The Eligible Asset categories and specified Eligibility Criteria align with the green and social eligible project categories recognised by the ASEAN Standards and SRI Sukuk Framework. Apart from asset and project specific financing, general financing is also eligible for inclusion under the Framework if at least 67% of the financing recipient's revenue or total assets, whichever is higher, fall within the Framework's Eligible Categories and meet the corresponding Eligibility Criteria. This allows the bank to fund companies whose business activities are exclusively focused on the identified eligible activities as well as companies in which eligible activities account for two thirds or more of its revenue or total assets. This leaves open the possibility of proceeds allocated to assets and expenditures that do not necessarily provide significant green and/or social impact absent appropriate mitigating measures to avoid, reduce or minimise a potential dilution of intended impact.

MBSB Bank's project evaluation and selection process is supported by an Environmental, Social and Governance (ESG) risk screening process and exclusion criteria which provides assurance that the Sustainability Sukuk proceeds will not be allocated to sensitive sectors or activities with negative environmental and social impacts. The final assessment of the project's suitability for the Eligible Assets portfolio is made by MBSB Bank's Management Investment and Credit Committee (MICC) or Board Investment and Credit Committee (BICC), supported by a dedicated Sustainability Sukuk Working Group (SSWG) to verify the alignment of the potential Eligible Assets with the Eligibility Criteria and confirm the eligibility of projects for inclusion in the pool of Eligible Assets.

The bank's processes for the management of proceeds align with market practice. The allocation of Sustainability Sukuk proceeds will be continuously monitored via existing internal systems to ensure that the aggregate amount in the portfolio of Eligible Assets is equal to or greater than the net proceeds raised by the outstanding Sustainability Sukuk upon full allocation. Unallocated sukuk proceeds will be invested by the Bank's Global Markets Division in Shariah-compliant liquid instruments such as cash, cash equivalents and/or other liquid marketable instruments in accordance with the bank's normal liquidity management policy.

Within one year of issuance, and annually thereafter as long as the Sustainability Sukuk is outstanding and in case of any material development, MBSB Bank will publish a Sustainability Sukuk Report on its Use of Proceeds. Each report will provide the following information, among others: the net proceeds raised and allocation to each Eligible Category, the unutilised amount and where such unutilised amount is placed or invested pending utilisation, the removal or substitution of Eligible Assets, and the sustainability impacts of Eligible Assets together with key performance indicators on its corporate website.

Based on our review of the relevant documentation and assessment as per our IBA methodology, we have assigned a "Silver" IBA to MBSB Bank's Framework. MARC Ratings also opines that the aforementioned framework is correspondingly aligned with the core components of the ASEAN Standards and the SRI Sukuk Framework. The issuer demonstrates good sustainability performance; MARC Ratings assesses sustainability management and sustainability integration within the organisation to be at an intermediate level of maturity. Finally, Shariah-compliant new and/or existing businesses and/or projects eligible for financing under the Framework align with and are highly coherent with MBSB Bank's sustainability strategy.

Introduction

A subsidiary of the Employees Provident Fund (EPF), Malaysia Building Society Berhad (MBSB) is the financial holding company of MBSB Bank. MBSB's roots can be traced back to Federal and Colonial Building Society Limited which was set up over seven decades ago in 1950 to extend housing loans to Malaysia's low- and middle-income groups. In 1956, the company was renamed Malaya Borneo Building Society Limited with the extension of its lending activities to Sabah and Sarawak. In 1970, its business was transferred to the newly incorporated MBSB. MBSB provided mortgages and consumer finance to mainly civil servants in the absence of a banking license.

In 2018, MBSB acquired a 100% equity interest in Asian Finance Bank (AFB), the third fully foreign-owned Islamic bank to be set up in Malaysia from Qatar Islamic Bank, RUSD Investment and Tadhamon International Islamic Bank and Financial Assets Bahrain. AFB became a wholly-owned subsidiary of MBSB on February 7, 2018. The merger of MBSB's operations with AFB's paved the way for the creation of Malaysia's second-largest standalone Islamic bank in terms of asset size. MBSB transferred its Shariah-compliant assets and liabilities (A&L) to AFB, which was then renamed and rebranded as MBSB Bank. More than a name change, this gave MBSB Bank a new identity as a standalone Islamic bank with a building society heritage. With a license to conduct Islamic banking business in Malaysia, MBSB could now provide full-fledged Islamic banking services through MBSB Bank, particularly retail and wholesale banking services that it was previously unable to offer.

MBSB Bank currently provides Shariah-compliant business banking, trade financing and consumer banking services to an active customer base of over 300,000 through 47 branches nationwide in the northern region, central region, southern region, east coast, Sabah and Sarawak. Through its banking license and platform, MBSB Bank is continuing to broaden and deepen its banking services. It is also using technology and looking to emerging channels such as digital wallets to expand the digital

accessibility of its banking services and to differentiate its banking services from other Islamic banks. MBSB Bank's online service offerings include mobile banking and online application for CASA (current accounts and savings accounts) which it launched in May and June 2020, respectively.

In 2020, MBSB continued to move Shariah-compliant assets to MBSB Bank, liquidate dormant entities and streamline the group structure. The holding company structure allows for the segregation of Shariah-compliant business assets and activities from conventional business assets and activities. This also allows separate corporate existences to be maintained for MBSB and MBSB Bank, pending completion of the conversion of the public listed holding company's remaining conventional A&L into Shariah-compliant A&L and its disposal of the non-core and residual A&L which cannot be converted into Islamic A&L. Post-completion of the aforementioned transfers and divestments, the existing holding company structure will likely be collapsed with MBSB Bank assuming MBSB's listing status on the Main Market of Bursa Securities. As at end-April 2021, the EPF owns 65% of MBSB.

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APPENDIX






COMPLIANCE REVIEW FORM







01 IMPACT SIGNIFICANCE ANALYSIS






Our qualitative analysis of 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 for impact analysis.






The proceeds of the sukuk will be used to finance and/or refinance, in whole or in part, Shariah-compliant new and/or existing businesses and/or projects that meet the Framework’s Eligibility Criteria (Eligible Assets). Apart from asset and project specific financing, general financing is also eligible for inclusion under the Framework if at least 67% of the financing recipient’s revenue or total assets, whichever is higher, fall within the Framework’s Eligible Categories and meet the corresponding Eligibility Criteria. The Framework identifies a total of 13 Eligible Categories, each of which contributes to one or more sustainability objectives and SDGs.






Green Project Category: Renewable Energy		
<p>Sustainability Objective: Climate change mitigation</p> <p>Sustainability Benefits: The use of renewable energy (RE) sources will improve national energy security and contribute to climate change mitigation.</p> <p>This project category is consistent with the national RE and emissions reduction targets. Malaysia has set a target to improve the RE capacity in its power mix to 31% by 2025 in its Power Sector Development Plan 2021-2039. The government’s plan for RE forms part of wider efforts to ensure Malaysia achieves its pledged commitment to reduce its greenhouse gas (GHG) emissions up to 45% in terms of emission intensity of GDP by the year 2030 relative to 2005 levels.</p> <p>RE projects are an important component of the national power sector’s plan to achieve secure, efficient and affordable energy supplies while fully addressing environmental and sustainability concerns.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Acquisition, construction, research, development, operation, renovation and/or maintenance of one (1) or more of the following RE generation sources: <ul style="list-style-type: none"> Solar energy Hydropower ($\leq 25\text{MWh}$ or power density $>10\text{W}/\text{m}^2$ or GHG emissions intensity $<50\text{gCO}_2\text{e}/\text{kWh}$) including connections of renewables into the grid and investments to enhance transmission capacity of the grid; or Manufacturing, trading and/or import of components of RE technology (including but not limited to solar panels, inverters, and storage batteries). <p>Large hydropower ($>25\text{MW}$) or power density of the dam is $<10\text{W}/\text{m}^2$ or where the lifecycle emissions of the project and the emissions from decaying organic matter are $>50\text{gCO}_2\text{e}/\text{kWh}$ are excluded.</p>	<p>SDG Alignment:</p> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>Renewable electricity resources, such as solar and small-scale hydropower will facilitate the progressive decarbonisation of the economy and benefit national energy security. This eligible category will have a positive impact on the achievement of SDG 7, targets 7.1 and 7.2. as given below:</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>TARGET 7-1</p>  <p>UNIVERSAL ACCESS TO MODERN ENERGY</p> </div> <div style="text-align: center;"> <p>TARGET 7-2</p>  <p>INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY</p> </div> </div> <p>13 CLIMATE ACTION</p>  <p>RE projects also address the increased emphasis for urgent action to combat climate change and its impacts that SDG 13 calls for.</p>






Green Project Category: Renewable Energy (cont'd)		
		
Green Project Category: Clean Transportation		
<p>Sustainability Objective: Climate change mitigation</p> <p>Sustainability Benefit: Clean transportation infrastructure</p> <p>The clean transportation project category encompasses investments in the development, construction, maintenance and/or operation of low-carbon transport infrastructure. Malaysia's transportation sector is the country's second most GHG-intensive sector after electric power generation. This project category lends support to the National Land Public Transport Master Plan which aims to increase the share of sustainable transport modes, in particular public transport.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Acquisition, construction, research, development, maintenance, and/or operation of: <ul style="list-style-type: none"> Public/mass transportation systems and/or of equipment for such systems (e.g. Mass Rapid Transport, Bus Rapid Transit) Acquisition, replacement and upgrade of rolling stock and modernisation of physical infrastructure for a freight rail network including: <ul style="list-style-type: none"> Purchase new locomotives and rolling stock, or purchase and install technology, that will provide higher fuel efficiency and produce lower GHG emissions Built new sidings and double line some stretches Modernising railway by replacing raw materials applied to existing infrastructure 	<p>SDG Alignment:</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>This eligible category promotes national climate and transport policy objectives. This eligible category is likely to make direct contribution to SDG 9 and target 9.1.</p> <p>TARGET 9-1</p>  <p>DEVELOP SUSTAINABLE, RESILIENT AND INCLUSIVE INFRASTRUCTURES</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>Clean transportation projects contribute to the achievement of SDG 11, target 11.2.</p> <p>TARGET 11-2</p>  <p>AFFORDABLE AND SUSTAINABLE TRANSPORT SYSTEMS</p>





Green Project Category: Clean Transportation (cont'd)		
		<p>13 CLIMATE ACTION</p>  <p>Eligible assets are likely to contribute to SDG 13 which calls for urgent measures to combat climate change and its effects.</p> <p>TARGET 13-3</p>  <p>BUILD KNOWLEDGE AND CAPACITY TO MEET CLIMATE CHANGE.</p>
Green Project Category: Green Buildings		
<p>Sustainability Objective: Climate change mitigation</p> <p>Sustainability Benefits: Reduction of energy consumption and avoidance of GHG emissions</p> <p>Buildings are responsible for over 30% of global GHG emissions and are a major contributor to climate change. Green buildings also possess huge potential to combat climate change through measures such as energy efficiency. Retrofitting existing buildings will also play a key role in bringing the buildings sector onto a 1.5°C compatible pathway.</p> <p>Qualifying commercial or residential buildings under this eligible category are required to have or are expected to receive a third-party green certification at the top two levels while renovated buildings are required to achieve a minimum post-renovation improvement in energy efficiency or emission reduction of 20%. The credible green building certifications listed in the Framework and the top-level certifications required provide assurance that the financed buildings will</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Construction, research, development, renovation, maintenance and/or purchase of commercial or residential buildings that: <ul style="list-style-type: none"> Meet recognised green certification standards such as: <ul style="list-style-type: none"> Green Building Index (GBI) (Gold and above) Leadership in Energy and Environmental Design (LEED) (Gold and above) GreenRE (Gold and above) Building Research Establishment Environmental Assessment Method (BREEAM) (Excellent and above); or Achieve a minimum of 20% improvement in energy use or carbon emission as a result of renovation 	<p>SDG Alignment:</p> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>This eligible category is likely to make direct contribution to SDG 7, target 7.3.</p> <p>TARGET 7-3</p>  <p>DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>Green buildings are also important drivers for innovation and technology.</p> <p>TARGET 9-B</p>  <p>SUPPORT DOMESTIC TECHNOLOGY DEVELOPMENT AND INDUSTRIAL DIVERSIFICATION</p>







Green Project Category: Green Buildings (cont'd)		
<p>have positive environmental impact.</p>		 <p>Green building projects will also contribute to SDG 11 and target 11.3.</p> 
Green Project Category: Energy Efficiency		
<p>Sustainability Objective: Climate change mitigation</p> <p>Sustainability Benefits: Reduction of energy consumption and avoidance of GHG emissions</p> <p>This eligible category will promote demand-side energy efficiency in businesses from a wide range of sectors in line with Malaysia’s commitment of reducing emission intensity of its GDP up to 45% by 2030. Energy efficiency projects typically require lower capital expenditure compared to new RE projects and offer quick payback on monies invested through energy cost savings, especially in the case of energy-intensive sectors.</p> <p>This Energy efficiency projects that will be financed under this eligible category will contribute to the achievement of national targets under Malaysia’s National Energy Efficiency Action Plan 2016 and Green Technology Master Plan Malaysia (GTMP) 2017-2030.</p> <p>The former targets savings of 52,233 GWh of electricity from 2016 to 2025, corresponding to an 8% reduction of electricity demand by 2025 across the</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Facilities and equipment that reduce energy consumption or improve the efficiency of resources, including: <ul style="list-style-type: none"> Installation of energy efficient heating, ventilation, air conditioning, refrigeration, lighting and electrical equipment Systems for capture and recycling of waste heat such as district heating and heat recovery Projects that improve efficiency in the delivery of bulk energy services such as energy storage, smart grids, demand response Projects that enable monitoring and optimisation of the amount and timing of energy consumption such as smart meters, load control systems, sensors or building information systems 	<p>SDG Alignment:</p>  <p>Using energy more efficiently is one of the most effective ways to reduce GHG emissions and meet growing energy demand. By lowering overall electricity demand, energy efficiency improvements help reduce the need for new electricity generation and transmission infrastructure.</p> <p>This eligible category is likely to make direct contribution to SDG 7, target 7.3.</p>  



Green Project Category: Energy Efficiency (cont'd)		
<p>residential, commercial and industrial sectors. The GTMP, meanwhile, targets a 15% improvement in energy efficiency by 2030 compared with 2015.</p>		<p>This eligible category will also contribute to SDG 9, target 9.4.</p> 
Green Project Category: Sustainable Water and Wastewater Management		
<p>Sustainability Objective: Sustainable use and protection of water resources</p> <p>Sustainability Benefits: Water conservation Alleviation of pollution</p> <p>With population and economic growth driving a rise in demand for water resources, treating, recycling and reusing water as well as the wastewater produced by households, as well as the agricultural and industry sectors will be key to sustainable water and wastewater management in the face of changing climatic conditions.</p> <p>This project category promotes sustainable water and wastewater management through collection, conservation, reuse and recycling. It lends support to initiatives by the Government to promote reclaimed water use by the Government as set out in the GTMP.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Acquisition, construction, research, development, operation, renovation and/or maintenance of facilities, systems or equipment used for sustainable water and wastewater management, including: <ul style="list-style-type: none"> Collection, treatment, recycling and reuse of water and wastewater Water supply and distribution infrastructure or network with the intention to increase household and/or industrial access to water, decrease leakages or improve water quality 	<p>SDG Alignment:</p>  <p>A circular economy or resource recovery approach to water and wastewater management can alleviate stress on primary water resources which are under pressure from the continuing population growth and urbanisation.</p> <p>Sustainable waste and wastewater management projects will contribute to SDG 6, targets 6.3 and 6.4.</p>    <p>Sustainable waste and wastewater management is interlinked with SDG 11, in particular target 11.6.</p>





Green Project Category: Sustainable Water and Wastewater Management (cont'd)		
		
Green Project Category: Waste and Pollution Control		
<p>Sustainability Objective: Pollution prevention and control</p> <p>Sustainability Benefits: Reducing and preventing environmental pollution and degradation</p> <p>This eligible category will be used to finance facilities, systems or equipment for waste collection, segregation, treatment and recycling. It supports national priorities to promote waste prevention and steer waste management towards greater resource efficiency by conserving natural and non-renewable resources.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Acquisition, construction, development, operation, renovation and/or maintenance of facilities, systems or equipment used for: <ul style="list-style-type: none"> Treatment, collection, reuse, reduction of emissions, reduction and prevention of waste and hazardous waste; or Recycling and sorting projects Construction, operation, maintenance and/or upgrading of recycling facilities or infrastructure for both public and industrial waste 	<p>SDG Alignment:</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>An estimated 10% to 15% reduction in life cycle GHG emissions can be achieved through landfill mitigation and diversion, energy from waste, recycling, and other types of improved solid waste management. This eligible category will contribute to SDG 11 and target 11.6.</p>  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <p>This eligible category will also contribute to SDG 12, target 12-5 which aims to reduce waste generation through prevention, reduction, recycling and reuse.</p> 





Social Project Category: Affordable Basic Infrastructure		
<p>Sustainability Objective: Access to basic infrastructure such as energy and transport, and internet services</p> <p>Sustainability Benefits: Improved access to affordable basic infrastructure</p> <p>The provision of basic infrastructure is essential to facilitate economic growth, local development and to meet most national and global SDG. Infrastructure development, poverty reduction and employment creation are linked. Investments in infrastructure will improve access to income and employment opportunities.</p> <p>The need for accessible and affordable broadband extends far beyond the current pandemic of COVID-19 in which connectivity has become essential to unlocking access to commerce, remote work opportunities, remote education, and telehealth, among others.</p> <p>This eligible category supports infrastructure investments that will improve access to basic services for underserved communities and affordable broadband and internet.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used for: <ul style="list-style-type: none"> Development of infrastructure to provide communities that have limited access or no access to services such as transport and energy Development of infrastructure to provide communities with increased affordable internet coverage and speed and/or mobile phone usage 	<p>SDG Alignment:</p> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>Projects that support improved access to affordable energy services will contribute to SDG 7, target 7.1.</p> <p>TARGET 7-1</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>Access to affordable basic infrastructure, including proper transport access and broadband and internet, has significant equity implications and is central to achieving sustainable cities and communities.</p> <p>Projects that support digital inclusion and connectivity to improve will contribute to SDG 9, target 9.C while transport projects will contribute to SDG 11, target 11.2.</p> <p>TARGET 9-C</p>  <p>TARGET 11-2</p> 

Social Project Category: Access to Essential Services - Healthcare		
<p>Sustainability Objective: Access to essential healthcare services</p> <p>Sustainability Benefits: Strengthening universal health coverage Reduced health inequalities</p> <p>Public health spending remains largely the bedrock for achieving universal health coverage in Malaysia. However, as demands and expectations for healthcare and health outcomes continue to rise in line with income levels against the backdrop of steadily rising healthcare expenditure, there is a growing role for the private sector to play alongside the public health system in widening affordable and quality essential healthcare services for the population of Malaysia as a whole.</p> <p>This eligibility category supports investments in facilities, services, systems or equipment used for public, subsidised and/or non-profit healthcare that is accessible to all populations.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used for public, subsidised and/or non-profit healthcare that is accessible to all populations, including: <ul style="list-style-type: none"> New infrastructure for or improvements to public and private hospitals, clinics, healthcare centres Hospices, medical and diagnostic equipment Aged care facilities and services Mental health facilities and services Public healthcare services, including emergency response and disease control services Digital healthcare Specialist disability accommodation 	<p>SDG Alignment:</p> <p>3 GOOD HEALTH AND WELL-BEING</p>  <p>Projects that promote health and well-being for all at all ages, and universal health coverage will contribute to SDG 3, targets 3.4 and 3.8.</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>TARGET 3-4</p>  <p>REDUCE MORTALITY FROM NON-COMMUNICABLE DISEASES AND PROMOTE MENTAL HEALTH</p> </div> <div style="text-align: center;"> <p>TARGET 3-8</p>  <p>ACHIEVE UNIVERSAL HEALTH COVERAGE</p> </div> </div>
Social Project Category: Access to Essential Services - Education and Vocational Training		
<p>Sustainability Objective: Access to education</p> <p>Sustainability Benefits: Inclusive access to learning outcomes and skills development Reduced social disparities</p> <p>According to the Malaysia Education Blueprint 2013 – 2025, Malaysia’s consistently high levels of expenditure on education have resulted in almost universal access to primary education, and significant improvements in access to secondary education. At the same time, the blueprint identifies quality and equity as two of three dimensions with room for improvement.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment for public and government-subsidised education that is broadly accessible to all populations, including: <ul style="list-style-type: none"> New infrastructure for or improvements to universities, colleges, schools and early learning services Activities that target inclusion of excluded and/or marginalised populations in the education system 	<p>SDG Alignment:</p> <p>4 QUALITY EDUCATION</p>  <p>Educational attainment is linked to a wide range of positive outcomes including longer life expectancy, higher employment rates and higher earnings. A well-educated labour pool drives economic productivity in addition to improving the resilience of businesses and the national economy.</p> <p>This eligible category is likely to contribute to SDG 4 which aims to provide equal access to primary and secondary schooling, affordable vocational training and quality higher education.</p>

Social Project Category: Access to Essential Services - Education and Vocational Training (cont'd)		
<p>High enrolment rates are essential but not sufficient to achieve the SDG of quality education. Also, inequality in learning across children is likely to increase as a result of the unprecedented educational disruption caused by the COVID-19 school closures.</p> <p>The focus of this eligible category is on public and government-subsidised education projects broadly accessible to all populations. Qualifying projects under this social project category have the potential to offer positive social impact in the form of improved quality and equity outcomes.</p>	<ul style="list-style-type: none"> - Digital learning projects • Education financing with reasonable profit rates for low-income populations, youths and professionals 	<p>This eligible category is likely to contribute to the following targets of SDG 4:</p> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 50%;"> <p>TARGET 4-1</p>  <p>FREE PRIMARY AND SECONDARY EDUCATION</p> </div> <div style="width: 50%;"> <p>TARGET 4-2</p>  <p>EQUAL ACCESS TO QUALITY PRE-PRIMARY EDUCATION</p> </div> <div style="width: 100%;"> <p>TARGET 4-3</p>  <p>EQUAL ACCESS TO AFFORDABLE TECHNICAL, VOCATIONAL AND HIGHER EDUCATION</p> </div> </div>
Social Project Category: Access to Essential Services - Financing and Financial Services		
<p>Sustainability Objective: Financial inclusion</p> <p>Sustainability Benefits: Increased affordability of financing Increased access to affordable financing and financial services Improved financing outcomes</p> <p>Microcredits, microsavings and microinsurance/micro-takaful can help low-income individuals with small, unpredictable, and often seasonal incomes to smooth their consumption, cope with vulnerabilities such as illness and unemployment, and insure themselves. While financial inclusion is regarded as a national goal, not all would-be borrowers are creditworthy and hence, this eligible category aims to strike a careful balance between availability, affordability, and sustainability (low-income individuals are not encouraged to borrow beyond their repayment capacity).</p> <p>The low-income target population of this eligible category aligns with national</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Microfinance schemes such as microcredits, microsavings and microinsurance/micro-takaful for individuals or financing for Microfinance Institutions. To be eligible for the Use of Proceeds, the assets should be targeted at low-income populations and should also exhibit one (1) or more of the following characteristics: <ul style="list-style-type: none"> - Accessible and affordable, e.g. reasonable profit rates, no collateral/guarantor required, innovative channels such as digital finance - Responsible, e.g. consultation and training support is provided to customers - Flexible, e.g. deferment of repayment and/or restructuring of repayment schedule 	<p>SDG Alignment:</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  <p>This eligible category will contribute to SDG 8 and target 8.10 by alleviating the availability and affordability constraints to financial inclusion.</p> <p>TARGET 8-10</p>  <p>UNIVERSAL ACCESS TO BANKING, INSURANCE AND FINANCIAL SERVICES</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>This eligible category will contribute to SDG 9 and target 9.3.</p>

	<ul style="list-style-type: none"> For the avoidance of doubt, personal financing for low-income populations 	
<p>Social Project Category: Access to Essential Services - Financing and Financial Services (cont'd)</p>		
<p>strategies on economic inclusion.</p>	<p>qualifies for the use of Proceeds, subject to meeting the characteristics above</p>	
<p>Social Project Category: Employment Generation</p>		
<p>Sustainability Objective: Support employment creation</p> <p>Sustainability Benefit: Growth and development of micro, small and medium-sized enterprises (MSME)</p> <p>The predominant form of enterprise in Malaysia, MSMEs play a major role in the domestic economy and job creation. MSMEs have the potential to provide decent jobs and economic empowerment through self-employment and/or to categories of employees considered vulnerable such as women, youths and the aged. Under the National Entrepreneurship Policy 2030, the government has set a target for SMEs to increase their contribution to GDP to 50% by 2030. MSMEs owned or operated by marginalised, unserved or underserved groups require special attention because they face greater access barriers to formal banking services and are typically also more credit-constrained.</p> <p>This eligible category has the potential to contribute significantly to financial inclusion of MSMEs and employment creation.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Financing for startups and micro, small and medium-sized enterprises. To be eligible for the use of proceeds, the assets should exhibit one (1) or more of the following characteristics: <ul style="list-style-type: none"> Operate in sectors/activities that contribute to other UN SDGs in MBSB Bank's Sustainability Sukuk Framework Owned or operated by marginalised, unserved or underserved groups Benefit low-income populations or areas in terms of employment and expanded access to basic needs such as food, healthcare and education <p>The Framework defines low-income populations as the bottom 40% of households with a monthly income of RM4,850 and below (B40). Importantly, it provides for the continued alignment of its definition of MSMEs and B40 with that of SME Corporation Malaysia and Department of Statistics, respectively.</p>	<p>SDG Alignment:</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  <p>This eligible category is likely to make direct contribution to SDG 8, targets 8.5 and 8.10 as follows:</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="954 987 1118 1256"> <p>TARGET 8-5</p>  <p>FULL EMPLOYMENT AND DECENT WORK WITH EQUAL PAY</p> </div> <div data-bbox="1142 987 1307 1256"> <p>TARGET 8-10</p>  <p>UNIVERSAL ACCESS TO BANKING, INSURANCE AND FINANCIAL SERVICES</p> </div> </div>

Social Project Category: Affordable Housing		
<p>Sustainability Objective: Inclusion in affordable housing</p> <p>Sustainability Benefits: Affordable housing access for low-income households Inclusive cities and communities</p> <p>Throughout its history, MBSB has been at the forefront of affordable housing in Malaysia, providing a path to homeownership for low-to-moderate income individuals and families. Consistent with its long-standing commitment to affordable housing, this eligible project category supports activities that contribute to building adequate, safe and affordable housing for excluded and/or marginalised population or communities. It also promotes access to homeownership financing by first-time buyers of affordable or social housing. The Eligibility Criteria serve to ensure that affordable housing facilitated under the Framework is targeted at support low- and moderate-income borrowers.</p> <p>The current COVID-19 pandemic underscores the challenge posed by inadequate affordable housing in the prevention and containment of the coronavirus and has added a newfound urgency to support buyers and developers of affordable housing.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used for: <ul style="list-style-type: none"> Building adequate, safe and affordable housing for excluded and/or marginalised populations or communities Purchase of affordable housing or social housing for first-time home buyer <p>To be eligible for the use of Proceeds, such houses should target low-income populations and have a maximum property price of RM300,000. This threshold may be adjusted based on nationally determined definition of affordable or social housing announced by the Malaysian Government as and when available.</p>	<p>SDG Alignment:</p> <p>1 NO POVERTY</p>  <p>The lack of affordable housing leaves families and individuals at risk of poverty. In supporting access to financing for homeownership, this eligible category will likely contribute to SDG 1, target 1.5. Adequate housing reduces vulnerability to economic, social, health and climate-related shocks and disasters.</p> <p>TARGET 1-5</p>  <p>BUILD RESILIENCE TO ENVIRONMENTAL, ECONOMIC AND SOCIAL DISASTERS</p> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>The affordable housing projects financed under the Framework will promote sustainable cities and communities by contributing to SDG 11, target 11.1.</p> <p>TARGET 11-1</p>  <p>SAFE AND AFFORDABLE HOUSING</p>

Social and Green Project Category: Food Security and Sustainable Food Systems		
<p>Sustainability Objective: Food security and sustainable food systems</p> <p>Sustainability Benefits: Secure and sustainable local and regional food production, reduced vulnerability of food systems to climate shifts</p> <p>Transition to more sustainable and productive sustainable food systems is essential to meet future growing population demands within the context of the changing climate. Climate change affects agricultural activities through weather variabilities, including an increase in droughts, high temperatures, and floods. The growing demand for fish, meanwhile, exerts pressure on natural resources and challenges the sustainability of marine and inland fisheries and of the aquaculture sector which may also have to contend with heat waves, water scarcity and competition for water at the same time as a result of climate change.</p> <p>This project category supports the sustainable production of food in the agriculture and fisheries sectors, and sustainable sourcing which improves the environmental and social impact of the agriculture supply chain. For example, urban farms can serve their communities and local market by providing access to fresh, nutritious food and generating inclusive employment for underserved populations at the same time. An increased use of local resources will promote backward and forward linkages, further stimulating the local economy.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Acquisition, development, research and/or operation of sustainably managed food systems including management of natural resources, production, processing and distribution of food. The assets should exhibit one (1) or more of the following characteristics: <ul style="list-style-type: none"> Implementation of sustainable agriculture techniques which may include: <ul style="list-style-type: none"> Remediation and restoration of degraded soil Minimum or no use of synthetic fertiliser and pesticide Crop rotation No-till farming Precision farming Implementation of sustainable aquaculture and fisheries practices Supporting local farmers by sourcing producers, ingredients or raw materials locally Development of urban farming/agriculture Certified by credible third-party certification systems 	<p>SDG Alignment:</p> <div style="text-align: center;">  <p>14 LIFE BELOW WATER</p> </div> <p>The sustainability of fisheries in their environmental and natural resource dimensions is fundamental to the ability of the marine and inland fisheries and of the aquaculture sector to deliver food security and nutrition. Sustainable aquaculture and fishery projects are likely to make direct contribution to SDG 14, target 14.4.</p> <div style="text-align: center;">  <p>TARGET 14-4</p> <p>SUSTAINABLE FISHING</p> </div> <div style="text-align: center;">  <p>15 LIFE ON LAND</p> </div> <p>Sustainable agriculture projects can help to improve crop productivity and protect environmental quality and ecosystem services, contributing to SDG 15, target 15.1.</p> <div style="text-align: center;">  <p>TARGET 15-1</p> <p>CONSERVE AND RESTORE TERRESTRIAL AND FRESHWATER ECOSYSTEMS</p> </div>

Overall Impact Significance

The broad list of eligible project and asset categories in the Framework and specified Eligibility Criteria demonstrate the bank's commitment to support climate action and inclusive growth, and advance 12 SDGs. The eligible project and asset categories are aligned to those recognised by the ASEAN Standards and SRI Sukuk Framework. MARC Ratings understands that only 20% of this represents new financing areas for the bank. MBSB Bank already supports green financing, affordable housing and has been actively promoting financial inclusion for the unbanked or underbanked in its financing operations. The Framework is coherent with MBSB Bank's "Building Malaysia" sustainability strategy that is geared towards fostering customers' financial resilience and its "Journey 25" (J25) aspiration to become a fully matured Islamic financial institution by year 2025.

The bank's ESG risk screening process and exclusion criteria provide assurance that the Sustainability Sukuk proceeds will not be allocated to sensitive sectors or activities with negative environmental and social impacts. While the Use of Proceeds categories under the Framework are expected to provide impactful environmental and social benefits and advance the targeted SDGs, the qualifying threshold of 67% as opposed to 80% or 90% as commonly observed in bank frameworks for the inclusion of general financing leaves open the possibility of proceeds being allocated to assets and expenditures that do not necessarily provide significant green and/or social impact. MARC Ratings understands that the intention here is to accommodate the refinancing and renewal of existing general financing to financing recipients with substantial activities in the Eligible Categories given that the bank is still in its relatively early stage of its sustainability journey with regard to building its sustainable financing portfolio. For new financings, the bank's internal qualifying threshold is 80% and the bank intends to gradually reduce its exposure to customers below the 80% threshold over time unless the latter are able to grow the proportion of eligible activities within their business mix to meet the 80% threshold.

MARC Ratings notes an absence of measures to address a potential dilution of intended impact associated with general financing in the Framework where financing recipients are below the 80% threshold such as prorating according to the proportion of eligible activities within the recipient company's business mix or setting a limit on proceeds allocation towards the refinancing and renewal of existing general financing that may be included as an eligible Use of Proceeds. This, and the remaining unknowns regarding the prospective allocation of proceeds, in particular the proportion of general financing to financing recipients below the 80% threshold, temper MARC Ratings' assessment of the impact significance of the Use of Proceeds asset categories. Taking into account the unmitigated risk to intended sustainability benefits and effectiveness of eligible Use of Proceeds asset categories proposed in the Framework, we arrive at an impact significance assessment of "Significant".

<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 ALIGNMENT WITH ASEAN STANDARDS AND SRI SUKUK FRAMEWORK

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



Utilisation of Proceeds

MBSB Bank intends to use the net proceeds of Sustainability Sukuk issued under the Framework to finance and/or refinance, in whole or in part, new and existing businesses and/or projects within the following categories (Eligible Categories):

- Renewable Energy
- Clean Transportation
- Green Buildings
- Energy Efficiency
- Sustainable Water and Wastewater Management
- Waste and Pollution Control
- Affordable Basic Infrastructure
- Access to Essential Healthcare Services
- Access to Essential Education and Vocational Training Services
- Access to Essential Financing and Financial Services
- Employment Generation
- Affordable Housing; and
- Food Security and Sustainable Food Systems.

Under the Framework, general financing is also eligible for inclusion under the Framework in addition to asset and project specific financing, if at least 67% of the financing recipient's revenue or total assets, whichever is higher, fall within the Framework's Eligible Categories and meet the corresponding Eligibility Criteria (including not meeting exclusion criteria). The eligible threshold is set at 67% to allow the bank to allocate the net proceeds of the sukuk to financing recipients whose business activities are exclusively focused on the identified eligible activities as well as those in which eligible activities account for two thirds or more of its revenue or total assets. As this allows Sustainability Sukuk proceeds to be potentially allocated to assets and expenditures that do not necessarily provide significant green and/or social impact, we would encourage the bank to put appropriate measures in place to avoid, reduce or minimise a potential dilution of the intended impact that are consistent with observed good practice.

The Use of Proceeds categories are clearly and transparently communicated in the Framework to facilitate evaluation of potential environmental and/or social impact. The eligible Use of Proceeds categories are aligned with green and social project categories recognised by the ASEAN Standards and SRI Sukuk Framework.

Eligible social project/financing also focus on target populations similar to those defined in the ASEAN SBS. Target population categories for social financing include low income, excluded and/or marginalised, unserved or underserved groups. The expected environmental and social benefits of

projects/financing eligible for financing under the respective eligible use-of-proceeds categories are overall clear, and quantifiable by the Issuer.

MBSB Bank retains and adds Green and/or Social Eligible Categories from time to time that are aligned to the ASEAN Standards and SRI Sukuk Framework. The environmental and social objectives and benefits of the project categories are clearly defined. An estimate of the share of refinancing has not been provided but the Issuer has communicated an expected look-back period of 36 months for refinanced Eligible Assets.



Process for Project
Evaluation and Selection

The Framework outlines the internal process and governance structure by which Eligible Assets/Projects are assessed and selected to ensure the eligibility of the projects. All potential projects/financing will be assessed based on the bank's standard credit policies and processes, in line with all applicable regulatory requirements, in addition to the relevant Eligibility Criteria in the Framework.

The bank's Board of Directors will be responsible for reviewing and approving any changes made to the Framework, as well as reviewing and approving the annual allocation and impact reports. The approval of the Shariah Advisory Committee (SAC) of MBSB Bank is also required for amendments to the Framework, in particular sections pertaining to the use and management of proceeds.

MBSB Bank will set up a dedicated Sustainability Sukuk Working Group (SSWG) that includes members from Risk Management, Global Markets, and business units to verify the alignment of the potential Eligible Assets with the Eligibility Criteria and confirm the eligibility of projects for inclusion in the pool of Eligible Assets. The SSWG will be responsible for submitting proposals on potential eligible project/assets to the Management Investment and Credit Committee (MICC) or Board Investment and Credit Committee (BICC) which will act as the Approving Committee/Authority in the selection of the Eligible Assets.

The Eligible Assets pool will be monitored by the SSWG and an Asset Register will be maintained for the purpose of monitoring the Eligible Assets and the allocation of the net proceeds from the Sustainability Sukuk to Eligible Assets. The SSWG will conduct a review of the Eligible Assets to confirm the continued eligibility of the Eligible Assets, and will recommend to the Approving Committee that such project/financing be removed from the pool of Eligible Assets and be replaced as soon as one or more projects/financing that are compliant with the Framework have been identified as substitutes.



Management of Proceeds

The Bank will continuously monitor the allocation of Sustainability Sukuk proceeds via existing internal systems to ensure that the aggregate amount in the portfolio of Eligible Assets is equal to or greater than the net proceeds raised by the outstanding Sustainability Sukuk upon full allocation. Any Sukuk proceeds that remain unallocated post-issuance will be invested by the Bank's Global Markets Division in Shariah-compliant liquid instruments such as cash, cash equivalents and/or other liquid marketable instruments in accordance with the Bank's normal liquidity management policy.

The Asset Register will be reviewed and endorsed annually by the Approving Committee. All potential changes to the Eligible Assets Portfolio will be recommended by the SSWG with the BICC and MICC having the responsibility for approving additions to or removals from the pool of Eligible Assets.



Reporting

Within one year of issuance, and annually thereafter as long as the Sustainability Sukuk is outstanding and in case of any material development, MBSB Bank will publish a Sustainability Sukuk Report on its Use of Proceeds. The report, which will follow best practices and the ASEAN Standards' and SRI Sukuk Framework's guidance for reporting, will be published on MBSB Bank's corporate website. It will include, among others:

- the net proceeds raised from each Sustainability Sukuk issuance
- the aggregate amounts of proceeds allocated to each of the Eligible Categories
- the outstanding amount of net sukuk proceeds yet to be allocated to Eligible Assets at the end of the reporting period
- the removal or substitution of the Eligible Assets.

Where feasible, MBSB Bank will report on examples of the Eligible Assets financed or refinanced by the Sustainability Sukuk and relevant impact metrics for each of the Eligible Categories. The bank has provided a set of indicators in its Framework which may be included in its Sustainability Sukuk Report.

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

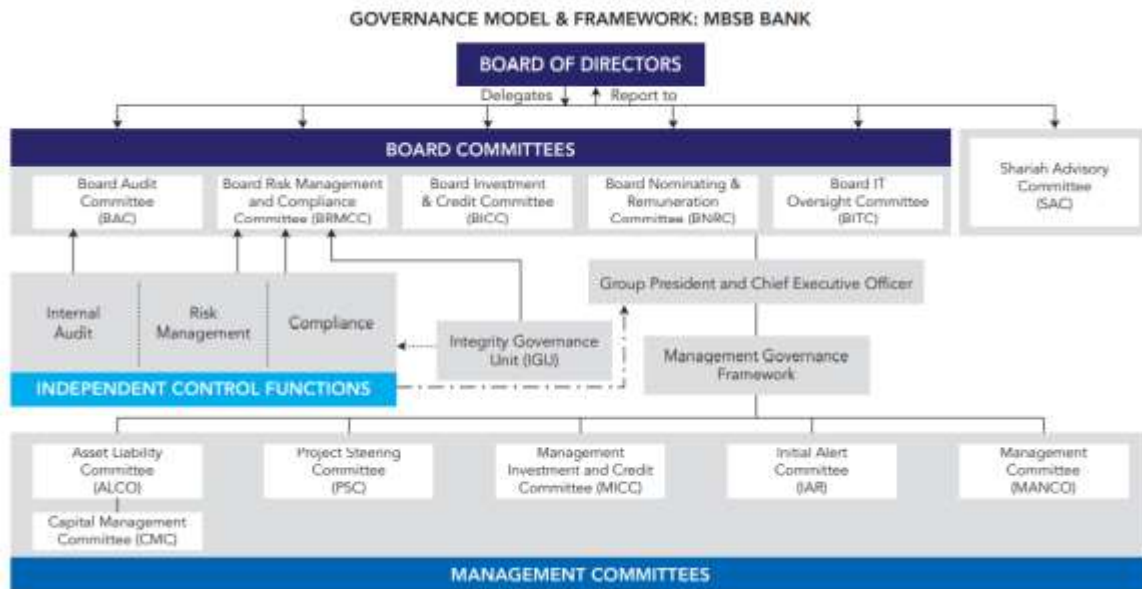
Equal weightage is given to each of the four principles in arriving at the total score which is then expressed on the above four-point descriptive scale which ranges from High to Low.

Assessment Grade	High	Good	Satisfactory	Low
	3	2	1	0

03 ANALYSIS OF SUSTAINABILITY PERFORMANCE

Like its corporate parent, MBSB Bank’s sustainability strategy is framed around creating value across the six capitals: financial, manufactured, intellectual, human, social and relationship, and natural capital in the short, medium and long terms. At MBSB and MBSB Bank, the governance structure for sustainability consists of respective management sustainability committees (management committee or MANCO), Board Risk Management & Compliance Committees (BRMCCs) taking on additional sustainability governance responsibilities, and Boards. The Boards have ultimate accountability for sustainability oversight, setting ESG risk appetite and ensuring the integration of ESG considerations into corporate strategy. At MBSB Bank, the Board along with management is responsible for the Bank’s governance of ESG risk, including setting the direction for sustainability in terms of strategy, priorities and targets. The BRMCC provides ESG leadership over the implementation of ESG strategy and recommending changes to the bank’s ESG framework.

Exhibit 1: Governance Structure



Comprised of key executive management team members, the Sustainability Project Steering Committee has operational oversight of the implementation of the bank’s sustainability plans, ensures that the sustainability strategy is aligned with the overall business strategy and monitors sustainability indicators. Sustainability initiatives across the organisation are coordinated by the Project Management Office (essentially Finance and Corporate Services) with support from the cross-functional Sustainability Project Working Group.

During 2020, MBSB Bank developed the risk acceptance criteria for RE projects and enhanced its credit policy to include broader financing restrictions in the form of an exclusion list to mitigate the bank’s exposure to sensitive sectors or activities with negative environmental and social impacts. More recently, the bank has developed an ESG Risk Framework to assess and manage exposure to the environmental and social (E&S) risks of the bank’s corporate and consumer financing activities, including debt capital markets. The ESG Framework is congruent with the regulatory requirements on Shariah governance for Islamic financial institutions. Financing and investments are subject to an ESG risk screening procedure by the Business Division. Following the issuance of the Climate Change and Principle-based Taxonomy by Bank Negara Malaysia in April 2021, MBSB Bank has implemented the classification of economic activities and their associated impacts on climate mitigation, adaptation, and the transition to low carbon and/or more sustainable practices based on

the taxonomy. The bank should be adequately positioned to address common E&S risks associated with projects and activities financed under the Sustainability Sukuk as well as mitigate the financial risks that emanate from such exposures following enhancement of its risk management frameworks to include climate risk exposure.

MBSB Bank is integrating the SDGs into its sustainability strategy and overall strategy for value creation. The bank has also embedded the SDGs in its corporate and sustainability reporting process. In 2020, MBSB Bank provided an expanded account on progress made in supporting the SDGs and material sustainability matters over the past year in a standalone sustainability report that supplemented its inaugural 2020 Integrated Annual Report. The Bank has chosen to focus on five SDGs, namely SDG 4 – Quality Education, SDG 8 – Decent Work and Economic Growth, SDG 11 – Sustainable Cities and Communities and SDG 13 – Climate Action. It has also identified specific SDG targets for the purpose of tracking its contributions and impact.

The bank's financial year 2020 earnings were impacted by a significant modification loss stemming from the mandatory six-month deferment for all financing repayments from April through September 2020 and a spike in impairment charges. As the COVID-19 pandemic evolves, the need to continue to provide support to the real economy by helping customers, both individuals and businesses, build and maintain financial resilience has come into sharper focus. The bank has continued to provide targeted repayment assistance to vulnerable individuals and SMEs in the form of an extension of the moratorium for three months (beyond the six-month moratorium) or a 50% reduction in instalment payments for six months. Consistent with its articulated commitment to responsible financing, the bank measures and monitors the effectiveness of its responsible financing management by its non-performing financing rate. The bank also pairs access to affordable financing with mandatory financial literacy education for low-income and economically vulnerable customers.

Under the Framework, MBSB Bank intends to support and contribute to sustainable development by directing sukuk proceeds towards the financing of eligible projects and activities that address the most pressing sustainability issues. MBSB Bank has been focusing on RE ventures involving large-scale and rooftop solar, waste-to-energy, mini hydro and biogas. It is actively contributing to raising the share of renewables in the energy mix. In 2020, the bank raised its RE sector financing limit from RM1.2 billion to RM1.8 billion or 5% of total outstanding financing amount. MBSB Bank provided approved and accepted to date cumulative green financing of RM426.0 million as at December 31, 2020. In support of the financial inclusion agenda, the bank had also provided RM3.1 billion of total gross financing for low and middle-income groups (B40/M40) as of end-2020. The bank has yet to establish the corresponding sustainability finance targets.

A core component of the bank's sustainability strategy and digital transformation programme is value innovation through technology in critical areas such as service quality, new products, security, regulatory compliance, and people support. The bank also seeks to create a workplace that puts the emphasis on equal opportunity and non-discrimination. In 2020, MBSB Bank introduced the requirement for integrity pledges from all business partners and suppliers, newly appointed or those who renewed their services with the bank. The bank seeks to limit its own environmental impact and by play a role in mainstreaming finance for transition to a sustainable, low-carbon economy. The bank is also mitigating its own negative impact on the environment through responsible energy, paper, water consumption. The bank reports its energy consumption and Scope 2 carbon emissions for its core operations but does not set emission reduction targets. MBSB Bank initiated its Scope 2 GHG emissions tracking in 2019.

Overall, the quality and clarity of MBSB Group's sustainability reporting is good; the materiality of sustainability matters that could affect the Group and the bank's ability to create value and the

significance of their economic, environmental and social impacts are identified through materiality assessments. Specific disclosures of information in MBSB Group’s sustainability report pertaining to customer experience and satisfaction, training and education, and direct environmental footprint of MBSB Bank are subjected to limited assurance to increase the credibility around the reported sustainability information.

The Boards of MBSB and MBSB Bank approved the establishment of the Integrity Governance Unit (IGU) in 2019 to strengthen the Group’s integrity culture and combat bribery, corruption and abuse of power. The Integrity and Anti-Bribery, Corruption and Abuse of Power Policy was approved by MBSB and MBSB Bank in February 2020 and April 2020, respectively. A process is in place for obtaining integrity pledges from all business partners and suppliers, newly appointed or those who renewed their services with the bank.

Overall, we assess MBSB Bank’s sustainability management and sustainability integration within the organisation to be at an intermediate level of maturity. The bank appears to be transitioning from a largely compliance and risk management approach to a more strategic approach to drive differentiation and value creation, consistent with its Value-based Intermediation objectives, and vision of becoming a top progressive Islamic bank.




Sustainability Performance Assessment

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

MARC Ratings’ assessment of the issuer’s sustainability implementation capabilities and performance is expressed on a five-level descriptive scale that runs from “Excellent” to “Poor” which corresponds

to five levels of assurance (Highest, High, Medium, Basic and Weak). The assurance level can be interpreted as a measure of MARC Ratings' confidence in the issuer's continuing performance of its sustainability obligations in line with marketplace expectations and in compliance with its sustainability framework for the sukuk issuance.

04 RATING SCALE

GRADE	DESCRIPTION
 <p data-bbox="308 483 384 517">GOLD</p>	<p data-bbox="469 405 1300 595">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 data-bbox="308 741 384 775">SILVER</p>	<p data-bbox="469 667 1300 857">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 data-bbox="308 965 405 999">BRONZE</p>	<p data-bbox="469 898 1300 1111">Bonds assessed at this level are judged to offer fairly significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support satisfactory standards of accountability and transparency. Minor shortcomings exist in the areas assessed but none of major concern.</p>

MARC RATINGS BERHAD

MARC Ratings Berhad was incorporated as a public limited company to undertake the business of providing credit rating services, as well as economic and fixed-income research publications, on behalf of the MARC group of companies.

Effective January 1, 2022, Malaysian Rating Corporation Berhad (MARC) transferred its regulatory license as a credit rating agency with the SC and the Bank Negara Malaysia-accredited External Credit Assessment Institution (ECAI) status under Basel II to its wholly-owned subsidiary MARC Ratings. MARC Ratings continues to adopt practices and procedures for Domestic Credit Rating Agencies based on the guidance on the Code of Conduct Fundamentals provided by the International Organisation of Securities Commissions (IOSCO) and the Association of Credit Rating Agencies in Asia (ACRAA). MARC Ratings continues to consult international best practices and the International Capital Market Association's Guidelines for Green, Social and Sustainability Bonds External Reviews in its conduct of external reviews, particularly in relation to the organisation and content of external reviews.

Following a series of outreach and external reviewer capacity building initiatives jointly undertaken by domestic market regulators and World Bank Group, MARC published for public comment its proposed criteria for rating green, social or sustainability bonds in April 2018. The version that was adopted in July 2018 after public consultation can be accessed on MARC's corporate website at https://www.marc.com.my/images/Rating_Methodologies/201912_/Impact-Bonds-Assessment-Criteria-201912-newlogo-.pdf. As explained in the criteria, the analytical framework consists of three components that provide insights to the green, social and sustainability credentials of green, social and sustainability bonds: (1) an assessment of environmental and/or social benefits of the underlying funded project(s); (2) an assessment of compliance with internationally recognised principles and market standards for the evaluation of such bonds; and (3) an evaluation of the issuer's sustainability strategy and performance. Bonds which meet the minimum thresholds in each of the three analytical components will be rated Gold, Silver or Bronze.

For more information, visit <https://www.marc.com.my/> or contact us at ratings@marc.com.my.

Review of Compliance with ASEAN Standards 2018 and SRI Sukuk Framework 2021

MBSB Bank Berhad Sustainability Sukuk Framework
Key Additional Features to complied with:

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

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Issuer <u>ASEAN Standards</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>7.04 <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>Eligible Projects 7.07 <i>An eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</i> <i>(a) Preserving and protecting the environment and natural resources;</i> <i>(b) Conserving the use of energy;</i> <i>(c) Promoting the use of renewable energy;</i> <i>(d) Reducing GHG emission;</i></p>	<p><i>MBSB Bank (or the Issuer) is an ASEAN issuer.</i></p> <p><i>The net Sukuk proceeds will exclusively be allocated to finance and/or refinance new and/or existing businesses and/or projects that fulfil the criteria for Eligible SRI projects.</i></p> <p><i>MBSB Bank has established policies and processes to ensure compliance with the SRI Sukuk Framework.</i></p> <p><i>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.</i></p>	<p><i>MBSB Bank intends to use the net proceeds of Sustainability Sukuk issued under the Framework to finance and/or refinance, in whole or in part, new and existing businesses and/or projects within the categories of Renewable Energy, Clean Transportation, Green Buildings, Energy Efficiency, Sustainable Water and Wastewater Management, Waste and Pollution Control, Affordable Basic</i></p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>(e) Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes especially but not exclusively for a target population; or</p> <p>(f) Improving the quality of life of the society.</p>		<p>Infrastructure, Access to Essential Healthcare Services, Access to Essential Education and Vocational Training Services, Access to Essential Financing and Financial Services, Employment Generation, Affordable Housing and Food Security and Sustainable Food Systems.</p>
<p>7.08</p> <p>The Eligible SRI projects may include:</p> <p>(a) Green projects that relate to, among others – renewable energy; energy efficiency; pollution prevention and control; environmentally sustainable management of living natural resources and land use; clean transportation; sustainable water and wastewater management; climate change adaptation; eco-efficient and/or circular economy adapted products; and green buildings which meet regional, national, or internationally recognised standards or certifications.</p> <p>(b) Social projects that relate to, among others—affordable basic infrastructure; access to essential services; affordable housing; employment generation including the potential effect of SME financing and microfinance; food security; and socioeconomic advancement and empowerment.</p> <p>(c) Projects which are the combination of Green and Social projects as described in (a) and (b) above; and</p> <p>(d) Waqf projects that relate to the development of waqf properties or assets.</p>	<p>The Eligible Categories outlined in the Framework are aligned to one or more of the following Green and Social project categories specified in paragraph 7.08 (a) and (b) of the SRI Sukuk Framework 7.08:</p> <ul style="list-style-type: none"> • Renewable energy • Energy efficiency • Pollution prevention and control • Environmentally sustainable management of living natural resources and land use • Clean transportation • Sustainable water and wastewater management • Green buildings • Affordable basic infrastructure • Access to essential services (three sub-categories: healthcare; education and vocational training, financing and financial services) • Employment generation • Affordable housing • Food Security <p>The Eligibility Criteria for the “Food Security and Sustainable Food Systems” Category provides for potential eligible projects/financing that relate to more than one Green or Social project category and meet environmental as well as social objectives. Specifically, the eligible projects/financing will align to “Environmentally sustainable management of living natural resources and land use” as well as “Food Security”.</p>	<p>MBSB Bank may add Green and/or Social Eligible Categories from time to time that are aligned to SC’s SRI Sukuk Framework and ASEAN Standards (ACMF’s ASEAN SBS, ASEAN GBS and ASEAN SUS, collectively).</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Use of Proceeds <u>ASEAN Standards</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 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 issue proceeds is clearly described in the Framework.</i></p> <p><i>The Issuer has disclosed categories of eligible Green and/or Social Projects to which the issue proceeds will be allocated.</i></p> <p><i>All designated Eligible Asset Categories provide clear environmental/social benefits.</i></p> <p><i>An estimate of the share of refinancing has not been provided but the Issuer has communicated an expected look-back period of 36 months for refinanced Eligible Assets.</i></p>	<p><i>The Eligibility Criteria are clearly defined for each project category.</i></p> <p><i>MARC Ratings has reviewed the Eligibility Criteria for the Green Eligible Categories and concluded that the eligible projects/financing that fulfill the applicable criteria would be considered green for the purposes of the ASEAN GBS and SC's SRI Sukuk Framework. MARC Ratings has performed a similar review for the Social Eligible Categories which confirms their alignment with the social project categories specified in the ASEAN SBS. Eligible social project/financing also focus on target populations similar to those defined in the ASEAN SBS. The expected environmental and social benefits of projects/financing eligible for financing under the respective Green and Social Eligible Categories are overall clear, and quantifiable by the Issuer.</i></p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Process for Project Evaluation and Selection <u>ASEAN Standards</u> 4.2 4.2.1 <i>The issuer must clearly communicate to investors:</i></p> <p>(i) <i>The environmental/social sustainability objectives;</i></p> <p>(ii) <i>The process by which the Issuer determines how the projects fit within the identified eligible project categories; and</i></p> <p>(iii) <i>The related Eligibility Criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social (E&S) risks associated with the selected projects.</i></p> <p>4.2.2 <i>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.</i></p> <p>4.2.3 <i>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.</i></p>	<p><i>The Issuer has clearly communicated:</i></p> <p><i>The sustainability objectives of the Sustainability Sukuk Framework and the Eligible Categories;</i></p> <p><i>The Framework outlines the internal process and governance structure by which Eligible Assets/Projects are assessed and selected to ensure the eligibility of the projects.</i></p> <p><i>The eligibility and exclusion criteria are clearly communicated in the Framework.</i></p> <p><i>The Issuer has defined and disclosed the process for project evaluation and selection in the Framework.</i></p> <p><i>The Issuer has positioned this information within the context of the Issuer's sustainability strategy, its focus SDGs, and its processes relating to environmental and social sustainability.</i></p>	<p><i>The Issuer has disclosed that all potential projects/financing will be assessed based on the bank's standard credit policies and processes, in line with all applicable Regulatory requirements, in addition to the relevant Eligibility Criteria in the Framework.</i></p> <p><i>MBSB Bank's project evaluation and selection process is supported by an ESG risk screening process and exclusion criteria which provides assurance that the Sustainability Sukuk proceeds will not be allocated to sensitive sectors or activities with negative environmental and social impacts.</i></p> <p><i>The Issuer has also disclosed that review of the Eligible Assets will be conducted annually by the Sustainability Sukuk Working Group to confirm the continued eligibility of the Eligible Assets, and the course of action to be taken where the project/financing no longer meets the Framework's Eligibility Criteria. Projects/financing that are no longer eligible will be removed from the register of Eligible Assets and replaced with projects/financing that are compliant with the Framework.</i></p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<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>MBSB Bank has appointed MARC Ratings as external reviewer for its Framework.</p> <p>MBSB Bank has committed to make the required information available on its corporate website at https://www.mbsbbank.com.</p>	<p>Review of the Issuer's Framework.</p> <p>The Framework that will outline the process for project evaluation and the external review report by external review provider, MARC Ratings, will be made available on the bank's website.</p>
<p>Management of Proceeds <u>ASEAN Standards</u></p> <p>4.3 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 As long as the Bonds are outstanding, the balance of the tracked net proceeds must be periodically adjusted to match allocations to eligible projects made during that period.</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>Prior to issuance, MBSB Bank will make its Framework available to investors. The Framework describes the process for managing the net proceeds from the Sukuk.</p> <p>The Issuer has described the process for monitoring and tracking proceeds. The proceeds will be tracked and managed via established internal systems.</p> <p>The Issuer has committed that until full allocation, the allocation of Eligible Assets will be continuously monitored to ensure that the aggregate value of the Eligible Assets is at a level that is equal to or greater than the net proceeds raised from the outstanding Sukuk.</p> <p>The Framework discloses to investors the intended types of temporary placement for the balance of unallocated net proceeds.</p>	<p>Pending the allocation of net proceeds of the Sukuk, MBSB Bank's Global Markets Division will hold the proceeds in Shariah-compliant liquid instruments such as cash, cash equivalents and/or other liquid marketable instruments in accordance with the bank's normal liquidity management policy.</p> <p>The register of Eligible Assets will be reviewed and endorsed annually by the Board Investment and Credit Committee and Management Investment and Credit Committee.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<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>Independent verification of the bank's internal tracking method is encouraged by the ASEAN Standards. The use of external assurance is strictly voluntary.</p> <p>Public disclosure of any third-party report independently verifying the bank's internal tracking method is encouraged by the ASEAN Standards and left to the discretion of the issuer.</p>	<p>MBSB Bank has communicated in the Framework that an external independent auditor will be appointed as and when required to verify the allocation of Sukuk proceeds to Eligible Assets in accordance with the Framework.</p> <p>In the event an external independent auditor is appointed to verify the Issuer's management of proceeds, the Issuer has communicated in the Framework that the audit report will be made publicly available on MBSB Bank's website.</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>The Issuer will monitor the allocation of the Sukuk proceeds and the financed Eligible Assets internally.</p>	
<p>Reporting <u>ASEAN Standards</u> 4.4 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>Annually, as long as the Sukuk are outstanding, MBSB Bank will publish a Sustainability Sukuk Report which follows the ASEAN Standards' guidance for Use of Proceeds reporting.</p> <p>The Issuer will present the information on a project portfolio or aggregated basis but will also include specific examples of Eligible Assets financed or refinanced by outstanding Sukuk issuance to the extent possible.</p>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>4.4.3 It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures and disclose the key underlying methodology and/or assumptions used in the quantitative determination.</p> <p>4.4.4 It is recommended that the Issuer's annual reporting on the use of proceeds be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.</p> <p>4.4.5 The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the Bonds.</p> <p>Disclosure Requirements</p> <p><u>SRI Sukuk Framework</u></p> <p>7.14 An issuer must provide the following information to the sukukholders annually through a designated website:</p> <ul style="list-style-type: none"> a) The original amount allocated for the Eligible SRI projects; b) The amount utilised for the Eligible SRI projects; c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and d) The list of the Eligible SRI projects in which the SRI sukuk proceeds have been allocated to and a brief description of the said Eligible SRI projects and their impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact. 	<p>MBSB Bank has included a set of indicative impact reporting metrics in its Framework which are clear and relevant.</p> <p>Updates of the external review are encouraged by the ASEAN Standards but are strictly voluntary.</p> <p>MBSB Bank commits to publish annually and throughout the tenure of the Sukuk an Annual Sustainability Sukuk Report on its corporate website at https://www.mbsbbank.com.</p> <p>The Issuer has committed to provide information items (a) through (d) annually through its corporate website in its progress report under its Framework.</p>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>7.15 Where an issuer is unable to make available comprehensive information as specified in paragraph 7.14 above due to confidentiality agreements or competitive considerations, such issuer may provide the information in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).</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 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>Complied. Refer to the assessment of compliance with ASEAN Standards 4.4.2.</p> <p>Complied. Refer to the assessment of compliance with ASEAN Standards 4.2.1.</p> <p>Complied. Refer to the assessment of compliance with ASEAN Standards 4.1.1. and 4.1.4.</p> <p>Complied. Refer to the assessment of compliance with ASEAN Standards 4.1.2.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.1.3</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.2.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.2.</p> <p>Complied. Refer to assessment of compliance with ASEAN Standards 4.3.</p> <p>Complied.</p>	
<p>External Review <u>ASEAN Standards</u> 5.1 Issuers are recommended to appoint external review providers for the bond issuances or programmes.</p>	<p>MARC Ratings has been engaged as independent external reviewer for the Framework.</p>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>5.2 <i>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.</i></p>	<p><i>The review conducted by MARC Ratings is a full review and addresses alignment with all four components of the relevant standards.</i></p>	<p><i>MARC Ratings has established a transparent score-based framework for its green, social and sustainability bond assessments analysis that is published on the agency's website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</i></p>
<p>5.3 <i>The external review provider must have the relevant expertise and experience in the components of the Bonds which they are reviewing.</i></p>	<p><i>MARC Ratings is registered with the Securities Commission Malaysia as a credit rating agency and has conducted the external review according to the analytical framework in MARC Ratings' Impact Bond Assessment (IBA) methodology.</i></p>	
<p>5.4 <i>The external review provider must also disclose their relevant credentials and expertise, and the scope of the review conducted in the external review report.</i></p>	<p><i>Disclosure of the external review provider's relevant credentials and expertise, and the scope of the review will be made in the external review report.</i></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

----- **Disclaimer** -----

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