



# ANNUAL SUSTAINABILITY SUKUK IMPACT REPORT

## Table of Contents

# 01

## **INTRODUCTION**

- 1.1 Background of MBSB Bank
- 1.2 Sustainability at MBSB Bank:  
Our Opportunity to Create Value

# 02

## **OVERVIEW OF MBSB SUSTAINABILITY SUKUK**

- 2.1 Sustainability Sukuk Wakalah  
Programme Summary

# 03

## **ALLOCATION OF PROCEEDS**

# 04

## **ELIGIBLE ASSETS REGISTER AND IMPACTS AS OF 30<sup>TH</sup> APRIL 2023**

# 01 Introduction

This report provides an update of MBSB Bank's Sustainability Sukuk Wakalah ("Sustainability Sukuk") use of proceeds as of 30<sup>th</sup> April 2023. Details of MBSB Bank's Sustainability Sukuk Framework, process for project evaluation and reporting is detailed in this report. MBSB Bank's Sustainability Sukuk supports and contributes to the achievement of 12 out of the 17 United Nations Sustainable Development Goals (UN SDGs).

## 1.1 Background of MBSB Bank

Malaysia Building Society Berhad (MBSB) has been at the forefront of the nation's financial services industry and economic development for more than 70 years. The origin of MBSB can be traced back to the Federal and Colonial Building Society Limited, incorporated in 1950, being the first financial institution in the region to extend housing loans to the low and middle-income groups, even before Malaysia's independence. We have grown from a single office with a handful of employees to 47 branches nationwide with 2,361 people, and we have expanded from basic home financing to a wide range of consumer, commercial and corporate banking financial products.

MBSB Bank aspires to become a **Top Progressive Islamic Bank**, guided by Journey 25 (J25) strategies and the Bank's business plans. We approach 2023 with a proactive mindset to "Acquire, Conquer, and Triumph" to strengthen our core foundations and establish a sustainable and resilient business. As we grow and evolve to serve the nation, we look to our past as a reminder of the crucial role we play in nation-building by improving financial accessibility, with sustainability as a guiding principle.

## 1.2 Sustainability at MBSB Bank: Our Opportunity to Create Value

As an Islamic bank, our commitment to sustainability and ethical practices is guided by Value-based Intermediation (VBI) as we understand that our long-term success is tied to the value we bring society.

In 2022, we introduced MBSB Bank’s Sustainability Framework which outlines our approach towards sustainability throughout our business activities and operations. The framework highlights initiatives and targets to balance economic value with social and environmental responsibility, thus, providing a structured flow for the Bank to incorporate sustainability considerations into our overall strategy, decision-making processes, and our operations.

The Sustainability Framework encapsulates MBSB Bank’s Sustainability Vision and Mission supported by three (3) pillars that lead to 11 strategic goals supported by 24 initiatives with 72 targets to be achieved between 2022 – 2030. MBSB Bank’s Sustainability Vision, Mission, 3 pillars and 11 strategic goals are depicted below.



MBSB Bank recognises several critical sustainability concerns as part of our responsibilities, including climate change, social inequality, human capital development, inclusive economic growth, accessibility, and affordability of financing. To strengthen our ESG portfolio, we are committed to providing sustainable financing to help our customers transition towards better ESG performance. We aim to continue funding sustainable projects through our Sustainability Sukuk based on the rising demand for sustainable and Shariah-compliant financing products as we are determined to contribute to creating a more sustainable future.

Our sustainability efforts received recognition in 2022 when we were included in the FTSE4Good Bursa Malaysia Shariah Index, where constituents are screened in accordance with defined Environmental, Social and Governance (ESG) criteria and the Securities Commissions' Shariah Advisory Council (SAC) screening methodology.

# 02 Overview of MBSB Bank’s Sustainability Sukuk Wakalah Programme

To drive MBSB Bank’s sustainability agenda, we established our Sustainability Sukuk Framework (SSF) on 28 June 2021 to serve as a guiding document for MBSB Bank’s Sukuk issuances. The SSF was developed to be aligned with the following guidelines and standards:

1. Sustainable and Responsible Investment Sukuk Framework, issued by the Securities Commission Malaysia (“SC”); and
2. ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards, issued by the ASEAN Capital Markets Forum (“ACMF”).

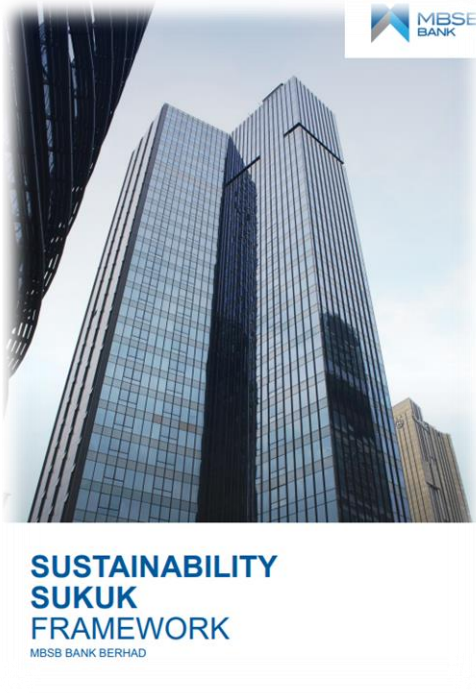
MBSB Bank successfully established its Sustainability Sukuk Wakalah Programme of up to RM5.0 billion in nominal value based on the Shariah principle of Wakalah Bi Al-Istithmar (“Sustainability Sukuk Wakalah Programme”) in April 2022. The details of MBSB Bank’s Sustainability Sukuk first issuance are as per below:

<b>Issuer</b>	MBSB Bank Berhad
<b>Issue Rating</b>	A+ <sub>is</sub> /Stable (Malaysian Rating Corporation Berhad)
<b>Issuance Date</b>	15 <sup>th</sup> April 2022
<b>Settlement Date</b>	17 <sup>th</sup> April 2022 (T+2)
<b>First Payment Date</b>	17 <sup>th</sup> Oct 2022
<b>Issue Size</b>	RM300.0 million
<b>Tenure</b>	5 Years: MYR 200,000,000 7 Years: MYR 100,000,000
<b>Coupon</b>	5 Years: 4.36% Fixed, Semi-Annual 7 Years: 4.73% Fixed, Semi-Annual
<b>Use of Proceeds</b>	The proceeds raised from the issuance of the Sustainability Sukuk Wakalah under the Sustainability Sukuk Wakalah Programme shall be utilised by MBSB Bank to finance and/or refinance, in part or in whole, future and/or existing eligible Shariah-compliant financings, including for the construction and/or development of the Eligible Projects, provided to the Issuer’s customers that meet the criteria as set out in the Issuer’s Sustainability Sukuk Framework and the applicable Sustainability Guidelines/Framework under which such Sustainability Sukuk Wakalah are issued.

<b>Law</b>	Malaysia Law
<b>ISIN</b>	5 Years: MYBVI2201793 7 Years: MYBVK2201807

Our SSF and its Pre-Assessment report by MARC Ratings Bhd. can be accessed via our website:

<https://www.mbsbbank.com/corporate/about-us/sustainability-sukuk>



## 2.1 Sustainability Sukuk Wakalah Programme Summary

<b>Issuer</b>	MBSB Bank Berhad (“MBSB Bank”)
<b>Issuer Ratings</b>	A+ <sub>is</sub> /Stable (Malaysian Rating Corporation Berhad)
<b>Programme Size</b>	Up to RM 5.0 billion
<b>Use of Proceeds</b>	<p>The proceeds raised from the issuance of the MBSB Bank’s Sustainability Sukuk under the Sustainability Sukuk Wakalah Programme shall be utilised by MBSB Bank to finance and/or refinance, in part or in whole, future and/or existing eligible Shariah-compliant financings, including for the construction and/or development of the Eligible Projects (as defined below), provided to the Issuer’s customers that meet the criteria as set out in the Issuer’s Sustainability Sukuk Framework and the applicable Sustainability Guidelines/Framework under which such Sustainability Sukuk Wakalah Programme are issued.</p> <p>The “Eligible Assets” / “Eligible Projects” that promote the categories outlined below (“Eligible Categories”):</p> <ol style="list-style-type: none"> <li>1. Renewable energy</li> <li>2. Clean transportation</li> <li>3. Green building</li> <li>4. Energy efficiency</li> <li>5. Sustainable water and wastewater management</li> <li>6. Waste and pollution control</li> <li>7. Affordable basic infrastructure</li> <li>8. Access to essential services: healthcare</li> <li>9. Access to essential services: educational and vocational training</li> <li>10. Access to essential services: financing and financial services</li> <li>11. Employment generation</li> <li>12. Affordable housing</li> <li>13. Food security and sustainable food systems</li> </ol> <p><i>MBSB Bank has developed a list of exclusionary criteria on the use of Sustainability Sukuk Wakalah Programme proceeds (“Proceeds”). The Bank will not knowingly finance any of the projects included in the following exclusionary criteria:</i></p> <ul style="list-style-type: none"> <li>• <i>Criteria for Non-Shariah Compliant Business Activities/ Products/ Goods; and</i></li> <li>• <i>ESG Risk Framework for Corporate Financing Customers which includes exclusionary criteria for the following:</i> <ul style="list-style-type: none"> <li>○ <i>Those with strong evidence of labour or human rights issues</i></li> <li>○ <i>Those with proven unethical business practices</i></li> <li>○ <i>Those that cause or generate significant environmental impact</i></li> <li>○ <i>Those in the coal mining industry</i></li> <li>○ <i>Those involved in activities related to nuclear plants or uranium-enrichment facilities</i></li> </ul> </li> </ul>
<b>Process for Project Evaluation and Selection</b>	<ul style="list-style-type: none"> <li>• Sustainability Sukuk Working Group (“SSWG”) screen, select and propose a list of new and existing projects pursuant to the guiding principles of the Sustainability Sukuk Framework (“Eligible Assets”).</li> <li>• The Approving Committee (“AC”) evaluates and provides approval for the proposed projects.</li> <li>• SSWG maintains a register of Eligible Assets and ensures the project continues</li> </ul>



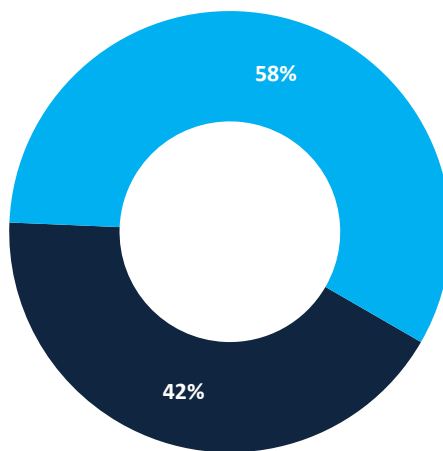
	<p>to meet the eligibility criteria annually.</p> <ul style="list-style-type: none"> <li>• SSWG makes recommendation to AC for ratification of inclusion or exclusions as use of Proceeds of the proposed Eligible Assets</li> <li>• AC continues to review and endorse the Eligible Asset register</li> <li>• Board of Directors (“Board”) reviews and provides final approval for proposed Eligible Assets</li> </ul>
<p><b>Management of Proceeds</b></p>	<ul style="list-style-type: none"> <li>• Proceeds from MBSB Bank’s Sustainability Sukuk Wakalah Programme will be managed in a portfolio of Eligible Assets (“Portfolio”). Where necessary, additional Eligible Assets will be added to the Portfolio, and we will monitor the allocation to ensure that the aggregate asset value is at a level that is equal or greater than the Proceeds raised from the outstanding Sukuk Wakalah upon full allocation.</li> <li>• Allocation of the Proceeds and the Portfolio will be tracked by MBSB Bank via its internal reporting mechanisms.</li> <li>• In the event any existing Eligible Assets no longer meet the eligibility criteria set forth in the SSF, new Eligible Assets will be identified, and Proceeds will be allocated to those assets as soon as practicable during the tenure of the Sukuk Wakalah.</li> <li>• In the event of pending full allocation, MBSB Bank will invest the balance of unallocated proceeds in the Shariah-compliant liquid instruments such as cash, cash equivalent and/or other liquid marketable instruments in accordance with the Bank’s normal liquidity management policy.</li> </ul>
<p><b>Reporting</b></p>	<p>MBSB Bank will provide a progress report on an annual basis until full allocation of the Proceeds. The progress report will consist of:</p> <p><b>Allocation of Proceeds Reporting</b></p> <ul style="list-style-type: none"> <li>• Net proceeds raised from each Sustainability Sukuk Wakalah Programme issuance</li> <li>• Aggregate amounts of Proceeds allocated to each of the Eligible Categories</li> <li>• The outstanding amount of net Proceeds yet to be allocated to Eligible Assets at the end of the reporting period and where these have been invested</li> <li>• Removal or substitution of Eligible Assets</li> </ul> <p><b>Impact Reporting</b></p> <ul style="list-style-type: none"> <li>• Examples of Eligible Assets financed or refinanced by the Sustainability Sukuk Wakalah Programme issued</li> <li>• The quantitative value of the economic, environmental and social (“EES) impacts arising from the Eligible Assets financed</li> </ul>

# 03 Allocation of Proceeds

As of 30 April 2023, the proceeds from MBSB Bank’s First Issue of RM 300.0 million issued on 15 April 2022 has been fully allocated to Eligible Assets. The allocation of the proceeds is illustrated in the diagram below:

### % of Total Allocation (Eligible Categories)

■ Access to Essential Services: Healthcare ■ Renewable Energy



<b>Reporting Date</b>	<b>30 April 2023</b>
<b>Reporting Duration</b>	1 April 2022 to 30 April 2023
<b>Geographic Location</b>	Malaysia
<b>Currency of Eligible Assets</b>	Ringgit Malaysia (RM)
<b>Total Allocated Amount</b>	RM300.0 mil

# 04 Eligible Assets Register and Impacts as of 30<sup>th</sup> April 2023

UN SDG	UN SDG Target	Eligible Category	Eligible Criteria	Portfolio Description	Facility Type	Asset Value (RM Mil)	% of Eligible Asset/ Portfolio	Impacts
7	7.2	Renewable Energy: Solar	Acquisition, construction, research, development, operation, renovation and/or maintenance of solar energy generation sources.	Under eligibility criteria as detailed in MBSB Bank's SSF, there are 3 solar projects approved under this category. Details are as below:  1. Ground-mounted solar power plant located in Terengganu with a total installed capacity of 29.99 MW. The Solar Plant project achieved the Commercial Operation Date (COD) on 31/12/2020. Income from sales of electricity is recognized from year 2021 onwards.	Corporate	101	34	<u>Project 1:</u> Annual renewable energy generation from this project from February 2022 until January 2023 is 48,333.22 MW (actual output).

UN SDG	UN SDG Target	Eligible Category	Eligible Criteria	Portfolio Description	Facility Type	Asset Value (RM Mil)	% of Eligible Asset/ Portfolio	Impacts
				<p>2. A solar power plant located in Kluang, Johor with an installed capacity of the project is 13.5 MW. The plant has since attained the COD status in February 2023 which triggered the commencement of the Power Purchase Agreement (PPA) dated 26 March 2018. The PPA proceeds has been forthcoming since May 2021.</p>	Corporate	40	13	<p><u>Project 2:</u> Annual renewable energy generation from this project from February 2022 until January 2023 is 15,811.27 MW (actual output).</p>

UN SDG	UN SDG Target	Eligible Category	Eligible Criteria	Portfolio Description	Facility Type	Asset Value (RM Mil)	% of Eligible Asset/ Portfolio	Impacts
				3. Third project is a solar power plant located in Mersing, Johor. The installed capacity of the project is 6.8 MW. The plant officially attained the COD on 16 July 2021 which triggered the commencement of the PPA dated 26 March 2018. The PPA proceeds has been forthcoming since October 2021.	Corporate	21	7	<u>Project 3:</u> Annual renewable energy generation from this project from February 2022 until January 2023 is 8,324.05 MW (actual output).
7	7.2	Renewable Energy: Biogas	Acquisition, construction, research, development, operation, renovation and/or maintenance of biogas energy generation sources.	A project of the biogas plant that qualifies under eligibility criteria as detailed in MBSB Bank's SSF had achieved 100% completion on 24/12/2021. This project located in Kg. Gajah, Perak. Annual renewable energy generation is 10,500 MWh.	Corporate	11	4	Annual GHG emissions reduced/avoided in 2022 is 34,000 tCO <sub>2</sub> e per annum. 7,693 people get benefit and access to clean energy services from this project.

UN SDG	UN SDG Target	Eligible Category	Eligible Criteria	Portfolio Description	Facility Type	Asset Value (RM Mil)	% of Eligible Asset/Portfolio	Impacts
3	3.8	Access to Essential Services: healthcare	<p>Construction, development, operation, renovation and/or maintenance of facilities, services, systems, or equipment for public, subsidized and/or non-profit healthcare that is accessible to all populations, including:</p> <ul style="list-style-type: none"> <li>•New infrastructure or improvements to public and private hospitals, clinics, healthcare centres</li> <li>•Hospices, medical and diagnostic equipment</li> <li>•Aged care facilities and services</li> <li>•Mental health facilities</li> </ul>	<p>A project that is eligible under this category is a concession project involved in the planning, designing, development, construction, installation, completion, testing, and commissioning of the facilities and infrastructure of the first Children's Specialist Hospital that are built with a Private Finance Initiative (PFI) using the Build-Lease-Maintain-Transfer (BLMT) method and carry out the Asset Management Services ("the Project").</p> <p>A 243-bed paediatric specialty hospital featuring the latest in diagnostic equipment and other innovative medical technologies. 19.42 acres and a 9-story building located in Cheras, Kuala Lumpur</p>	Corporate	127	42	64.4% of the bed occupancy rate (BOR) from 243 beds were utilised after the facility opened to the public on March 15, 2022.

UN SDG	UN SDG Target	Eligible Category	Eligible Criteria	Portfolio Description	Facility Type	Asset Value (RM Mil)	% of Eligible Asset/ Portfolio	Impacts
			and services <ul style="list-style-type: none"> <li>•Public healthcare services, including emergency response and disease control services</li> <li>•Digital healthcare</li> <li>•Specialist disability accommodation</li> </ul>	has completed, and the Certificate of Acceptance ("COA") of the project was issued on December 30, 2020.				