

MARC

MALAYSIAN RATING CORPORATION BERHAD
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BANK PEMBANGUNAN MALAYSIA BERHAD
SUSTAINABLE DEVELOPMENT SUKUK FRAMEWORK
PRE-ISSUANCE FRAMEWORK ASSESSMENT
SEPTEMBER 2021



SUSTAINABLE DEVELOPMENT
SUKUK

Malaysian Rating Corporation Berhad has been engaged by Bank Pembangunan Malaysia Berhad as an independent external reviewer for its Sustainable Development Sukuk Framework. This external review was conducted according to the analytical framework in MARC's Impact Bond Assessment (IBA) methodology that is published on its website.

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SUMMARY

Bank Pembangunan Malaysia Berhad (BPMB) has engaged Malaysian Rating Corporation Berhad (MARC) to review its Sustainable Development Sukuk Framework (Framework) that has been established to set guidelines for the company's issuances of Sustainable Development Sukuk (hereafter, Sukuk). The Sustainable Development Sukuk to be issued under the Framework include Sustainable Development Goals (SDG) Sukuk, SRI Sukuk and/or Green, Social and Sustainability Sukuk issued under the ASEAN Green, Social and Sustainability Bond Standards, individually or combined.

MARC's external review consists of three parts: an impact significance analysis based on BPMB'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 Securities Commission Malaysia's (SC) Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework; and an evaluation of the issuer's sustainability implementation capacity and performance. Developed in consultation with the International Capital Market Association (ICMA) and administered by the ASEAN Capital Markets Forum (ACMF), the ASEAN Standards are aligned with ICMA's Sustainability Bond Guidelines, Green Bond Principles (GBP) and Social Bond Principles (SBP) respectively (hereafter, collectively referred to as the ICMA Principles).

Incorporated in 1973, BPMB is Malaysia's largest Development Financial Institution (DFI) and one of country's first DFIs. BPMB is wholly owned by the Malaysian Government through the Minister of Finance Inc and the Federal Lands Commissioner. In more recent years, the role of BPMB, which has long been at the forefront of development financing, has evolved beyond serving the country's early developmental needs to becoming a catalyst for a new economy. BPMB is partnering with the government, businesses and investors to support the financing needs of targeted and new growth sectors that are important to advancing sustainable economic growth and promoting inclusive growth and climate transition.

The Use of Proceeds outlined in the Framework are coherent with the issuer's sustainability strategy, in particular its objective of intensifying its focus on development activities that maximise development impact in line with six selected United Nations Sustainable Development Goals (SDGs) goals and 13 targets. Sukuk proceeds may finance or refinance in whole or in part, a combination of new or existing assets, businesses, projects and/or products that are eligible (Eligible Assets) based on the criteria set forth in the Framework.

The establishment of the Framework aligns BPMB's strategic sustainability objectives with its funding and financial strategy. The Framework is relevant to and coherent with BPMB's commitment to promote sustainable development at the strategic, portfolio and transactional levels. It considers Malaysia's GHG emissions commitment under the Paris Agreement, the indivisibility of climate change and sustainable development, and reflects national priority investment areas for the low-emissions, climate-resilient transition. The Framework will support and build on BPMB's multisector approach to facilitating the national shift toward a more inclusive climate resilient development path.

The Eligible Asset categories and specified Eligibility Criteria within each category align with the ASEAN Standards and ICMA Principles. The Sukuk to be issued under the Framework can be characterised as "Use of Proceeds" Sukuk under the ICMA Principles. The Framework's key impact themes include renewable energy, green/efficient buildings, clean transportation, circular economy, sustainable waste and wastewater management, employment generation and retention, accessible healthcare and education, and climate action, amongst others. Consistent with its mandate to catalyse

sustainable development, the focus of the Framework is on high-impact projects that are aligned with national environmental and social priorities.

The Framework aligns with the four common core components of the ASEAN Standards: (1) use of proceeds, (2) process for project evaluation and selection, (3) management of proceeds and (4) reporting. The assessment of eligibility of potential assets, businesses and projects will be backed by an existing robust internal impact assessment process and the of Use of Proceeds criteria set out in the bank's Framework. Through its impact assessment framework, the economic, social and environmental dimensions of sustainable development are addressed in an integrated manner in financing strategies and implementation approaches. MARC believes the Bank's approach to project evaluation and selection identifies likely positive and negative impacts of a proposed project or development as well as appropriate mitigation measures for negative impacts.

The net proceeds from the issue of sustainability sukuk will not be credited to a segregated account. Instead, the proceeds from the issuance of sukuk will be tracked and managed internally. BPMB's Treasury will establish an Asset Register to record the allocations and track the use of proceeds. The Asset Register will be updated to account for any re-allocation, repayments or drawings in respect of Eligible Projects in the Portfolio. During the life of the sukuk, Eligible Assets will be added to or removed from the portfolio of Eligible Assets to the extent required. If an asset is removed from the Eligible Asset portfolio, BPMB will strive to replace the asset with another Eligible Asset as soon as reasonably practicable. The intended types of investment in case of unallocated proceeds are disclosed in the Framework. MARC assesses the process for the management of proceeds to be aligned with market practices.

BPMB will publish a progress report on its Use of Proceeds on an annual basis until full allocation and in case of any material development. Each report will provide the following information, amongst others: the use and allocation of the sukuk proceeds, 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 "Gold" IBA to BPMB's Sustainable Development Sukuk Framework. We also opine that the aforementioned framework is correspondingly aligned with the core components of the ASEAN Standards and ICMA Principles.

Introduction

Founded in 1973, BPMB was set up to assist small and medium-sized enterprises through the provision of financing facilities, training and advisory services. The bank currently provides medium to long-term conventional and Islamic credit financing facilities to finance infrastructure projects, maritime, oil & gas, technology and capital-intensive industries in manufacturing as well as other sectors considered of strategic importance to Malaysia's overall socio-economic development objectives. Through its subsidiaries, BPMB is also involved in maritime venture capital investment as well as leasing, hire purchase financing, factoring, block discounting.

As a DFI, BPMB administers funds from the federal budget in addition to its own funds to support the development and promotion of sectors that are considered strategically important to the national economic development agenda. BPMB also participates in policy making, playing an advocacy role with the government with respect to the national and sectoral blueprints in addition to fiscal policy. BPMB is under the regulatory purview of Bank Negara Malaysia.

BPMB is presently in the midst of a 3-Year Strategic Transformation Plan 2020-2022, which has seen the bank move towards a value-based intermediation (VBI) approach that is more development impact driven to address the convergence of economic, social and environmental challenges, from climate change and growing income inequalities to technological change. The alignment of its financing portfolio with environmental and social criteria that align with sustainable development has taken place alongside a vision, mission and culture reset. Its impact financing focus has become wider and deeper, as suggested by the broad perimeter of eligible categories in the Framework.

BPMB is a member of the United Nations Environment Programme – Finance Initiative (UNEP-FI) and signatory to the Principles for Responsible Banking (PRB). As a signatory, BPMB has committed to step up its capacity to deliver on the SDGs. Issuances under the Framework are intended to accelerate the delivery of finance targeting SDGs, particularly to foster the transition to a low-carbon economy, support economic recovery and mitigate the economic consequences of the Covid-19 pandemic.

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APPENDIX


COMPLIANCE REVIEW FORM





01 IMPACT SIGNIFICANCE ANALYSIS









Our qualitative analysis of impact is conducted in the context of the United Nations Sustainable Development Goals (SDGs). As a globally accepted guidepost for transition to sustainable development, the SDGs serve as a useful framework of reference for project impact analysis. The 17 SDGs are at the heart of a global sustainability agenda covering three broad areas of economic, social, and environmental development to be reached by 2030.

The sukuk proceeds will be allocated exclusively to SDG investments in green, social or sustainability projects. This will support Malaysia in embedding green and social-focused solutions as part of its recovery from the impact of COVID-19. The Framework’s key impact themes include renewable energy, green/efficient buildings, clean transportation, circular economy, sustainable waste and wastewater management, employment generation and retention, accessible healthcare and education, and climate action, amongst others. Consistent with BPMB’s mandate to catalyse sustainable development, the focus of the Framework is on high-impact projects that are aligned with national environmental and social priorities, as well as its targeted SDGs. Each of the Eligible Criteria as defined below is aligned to an SDG and its corresponding target(s). The Framework prioritises six goals and 13 targets where BPMB has the greatest capacity for impact and action.





Green Project Category: Renewable Energy		
<p>Sustainability Objective: Climate change mitigation</p> <p>Sustainability Benefits: The use of renewable energy sources will improve national energy security and contribute to climate change mitigation.</p> <p>This project category is consistent with the national renewable energy and emissions reduction targets. Malaysia has set a target to improve the renewable energy capacity in its power mix to 31% by 2025 in its Power Sector Development Plan 2021- 2039. The Government’s plan for renewable energy 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>Renewable energy projects are an important component of the national power sector 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"> Financing or refinancing the acquisition, construction, development and installation of renewable energy power projects, including the infrastructure to support the integration of renewable energy into the electricity grid and the transportation through the network. Renewable energy sources include: <ul style="list-style-type: none"> Solar energy Small scale hydro energy (maximum of 25MW in installed capacity) operating at life cycle emissions lower than 100gCO₂e/kWh Biomass using feedstocks that do not compete with food production Offshore wind energy Tidal and ocean energy generation Financing equipment manufacturing for renewable energy. 	<p>Alignment to SDG:</p> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>Renewable electricity resources, such as solar, small-scale hydro and wind power will facilitate the progressive decarbonisation of the economy. Finally, the inclusion of biomass as part of the energy mix, will provide fuel diversity and reliable baseload generation compared with solar and wind energy, benefiting national energy security.</p> <p>This eligible category will have a positive impact on the achievement of SDG 7, target 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>





Green Project Category: Green/Efficient 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>Projects that qualify for financing are required to obtain third party green building certifications to an equivalent or higher level than that specified by the criteria. The use of third-party certified green building standards and third-party verifiers for retrofits provides objective assurance of the green credentials and environmental performance of green/efficient buildings that will be financed under this green project category.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Financing or refinancing the acquisition, construction and refurbishment of mix-used development projects, residential and/or commercial buildings including hotels and resorts that: <ul style="list-style-type: none"> Meet or are expected to receive a minimum certification of Green Building Index (“GBI”) (Gold and above), Building Research Establishment Environmental Assessment Method (“BREEAM”) (Excellent and above) or Leadership in Energy and Environmental Design (“LEED”) (Gold and above), Singapore Building and Construction Authority (BCA) Green Mark (Gold Plus and above) or any other green building labels that is an equivalent standard as the above; or Financing or refinancing the renovation, retrofit and refurbishment of existing residential and non-residential buildings that reduces/potentially reduces energy consumption levels to at least 20% less than that of baseline consumption levels as supported by an independent energy efficiency verification service provider. 	<p>Alignment to SDG:</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>Eligible assets will also contribute to the creation of sustainable communities (SDG 11). In addition, the construction of new green/efficient buildings and climate-based commercial building retrofitting can spur low-carbon economic growth and job creation.</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 aims to 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 as compared to new renewable energy projects and offer quick payback on monies invested through energy cost savings, especially in the case of energy intensive sectors.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Financing or refinancing the development, manufacture and/or installation of energy efficiency technologies, products or system(s) including but not limited to: <ul style="list-style-type: none"> Digital controls and sensors for efficient energy management Energy saving technology such as smart meters and lighting for public, commercial and domestic services Manufacture of components to enable energy efficiency. 	<p>Alignment to SDG:</p> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>Using energy more efficiently is one of the most effective ways to reduce greenhouse gas 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> <p>TARGET 7-3</p>  <p>DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY</p>
Green Project Category: Circular Economy		
<p>Sustainability Objective: Decoupling economic growth from resource use, waste prevention and recycling and climate change mitigation</p> <p>Sustainability Benefits: Greater resilience against resource scarcity Climate change mitigation</p> <p>Increased resource efficiency and material circularity is critical to reducing environmental pressures from major resource-consuming sectors, including land degradation and GHG.</p> <p>This green project category promotes sustainable materials management, resource productivity and resource-efficient structural economic change. It supports the transition towards a more resource efficient and circular economy.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Financing or refinancing businesses, activities or projects, including research into and the development of processes, infrastructure and technology and facilities that support a transition towards the circular economy through: <ul style="list-style-type: none"> Design and/or manufacture of products that significantly increase effectiveness and efficiency of resource consumption Design and/or manufacture of products that are made of renewable or recycled resources and/or can be fully recycled within an efficient framework of collection, separation and recycling after use; or 	<p>Alignment to SDG:</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  <p>This eligible category is likely to make direct contribution to SDG 8, target 8.4.</p> <p>TARGET 8-4</p>  <p>IMPROVE RESOURCE EFFICIENCY IN CONSUMPTION AND PRODUCTION</p> <p>A transition to a more resource efficient and circular economy will also contribute to job creation and economic growth.</p>



Green Project Category: Circular Economy (cont'd)														
	<ul style="list-style-type: none"> Solutions that extend the product-life or enable circular value recovery of goods and/or materials after use. 													
Social Project Category: Employment Generation and Retention Including Through SME Financing														
<p>Sustainability Objective: Support employment creation and retention</p> <p>Sustainability Benefit: SMEs growth and development Mitigation of the economic and social impacts stemming from COVID-19</p> <p>Under this project category, sukuk proceeds will be used to boost SMEs' response to and recovery from the pandemic, as well as to support projects programmes or schemes designed to maintain the employment relationship and prevent permanent lay-offs in sectors hard hit by the crisis. Such programmes or schemes are vital to ensure that the crisis does not increase poverty and exacerbate existing inequalities or create new forms of inequality and social exclusion. The current crisis on employment and social protection disproportionately affects single parents, young people, especially women and low-income families facing an elevated risk of major hardships arising from job losses and reduced working hours.</p> <p>The Framework's definition of SMEs is aligned with that of SME Corporation Malaysia.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Financing of projects that support local economic development and job creation or retention via the financing of small, medium and micro-sized enterprises (SMEs)* Financing of programs designed to alleviate unemployment in industry sectors highly affected by the Covid-19 crisis. <p>* Small and medium-sized enterprises (SMEs), as defined by SME Corporation Malaysia are independent formal enterprises in Malaysia which employ not more than a given number of employees or record annual turnover not exceeding a given upper limit. The upper limits for employee size are currently set 200 and 75 for the "Manufacturing" and "Services and Other Sectors" respectively while the financial ceilings for turnover are RM50 million and RM20 million respectively.</p>	<p>Alignment to SDG:</p> <p>8 DECENT WORK AND ECONOMIC GROWTH</p>  <p>Certain industry sectors such as hospitality, tourism, personal services, construction and non-food related brick-and-mortar commerce are more affected than others and in need of support. Low wage, low skilled and non-standard workers who account for a significant part of the workforce in sectors hard hit by the pandemic are particularly vulnerable to the impact of the COVID-19 crisis.</p> <p>This eligible category is likely to make direct contribution to SDG 8, targets 8.3 and 8.5 as follows:</p> <table border="1" data-bbox="954 1160 1286 1429"> <thead> <tr> <th>TARGET</th> <th>8-3</th> <th>TARGET</th> <th>8-5</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>PROMOTE POLICIES TO SUPPORT JOB CREATION AND GROWING ENTERPRISES</td> <td></td> <td>FULL EMPLOYMENT AND DECENT WORK WITH EQUAL PAY</td> <td></td> </tr> </tbody> </table>	TARGET	8-3	TARGET	8-5					PROMOTE POLICIES TO SUPPORT JOB CREATION AND GROWING ENTERPRISES		FULL EMPLOYMENT AND DECENT WORK WITH EQUAL PAY	
TARGET	8-3	TARGET	8-5											
														
PROMOTE POLICIES TO SUPPORT JOB CREATION AND GROWING ENTERPRISES		FULL EMPLOYMENT AND DECENT WORK WITH EQUAL PAY												
Green Project Category: Clean Transportation; Social Project Category: Affordable Basic infrastructure														
<p>Sustainability Objectives: Climate change mitigation Provision of affordable basic infrastructure</p> <p>Sustainability Benefits: Inclusive clean transportation infrastructure</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Financing or refinancing the development, construction, upgrade, acquisition and maintenance of low-carbon transport infrastructure including but not limited to: 	<p>Alignment to SDG:</p> <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 												



Green Project Category: Clean Transportation; Social Project Category: Affordable Basic infrastructure (cont'd)		
<p>The clean transportation project category encompasses investments in the development, construction and maintenance 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 provides social co-benefits along with environmental benefits, and 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>Apart from contributing to improving air quality by reducing harmful transport-related emissions, infrastructure for active mobility will also contribute to better public health outcomes by promoting active and healthy lifestyles.</p>	<ul style="list-style-type: none"> - Infrastructure for active mobility (sidewalks and cycle tracks for public walking and cycling, bicycle parking facilities) - Infrastructure (e.g. bus rapid transit (BRT) lanes, mass transit corridors) and rolling stock for the operation of climate-friendly urban public and non-motorised transport (e.g. electric buses, monorail, mass rapid transit). 	<p>This eligible category promotes inclusive low carbon mobility to achieve national climate and transport policy objectives. This eligible category is likely to make direct contribution to SDG 9 and target 9.1.</p> <div data-bbox="951 488 1110 757" style="text-align: center;"> </div> <p>This eligible category will also contribute to making urban mobility safer and more sustainable.</p>
Social Project Category: Digital Inclusion		
<p>Sustainability Objective: Support digital inclusion</p> <p>Sustainability Benefit: Increased accessibility to the benefits of the internet and digital technologies</p> <p>The proceeds will foreseeably be used towards addressing gaps in coverage in areas where the private sector is unable to justify the commercial provision of broadband connectivity and to support the digital transformation of SMEs.</p> <p>Digital inclusion has taken on an increased urgency as a result of the rapid digital shift accelerated by the coronavirus pandemic. For instance, it has been demonstrated that the development of teleworking facilities, where possible, is a necessary means to safeguard</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Financing or refinancing of projects or activities that allow for the deployment of fibre optic network for populations located in unconnected or underserved areas. • Financing or refinancing of activities that promote SME participation in the digital economy, e-commerce and their digital transformation. 	<p>Alignment to SDG:</p> <div data-bbox="951 1279 1121 1447" style="text-align: center;"> </div> <p>Digital inclusion is vital to becoming a digital-ready nation and taking advantage of the opportunities afforded by new digital technologies. The lack of digital inclusion poses a major risk to business and economic growth, and also to broader societal development. Digital technology potentially offers competitive advantages to SMEs across all sectors and industries, through improving productivity, performance and profitability.</p> <p>This eligible category directly contributes to SDG 9 and target 9.c: Significantly increase access to information and communications technology and strive to provide</p>

Social Project Category: Digital Inclusion (cont'd)		
<p>continuity of operations.</p> <p>Digital inclusion can contribute also to reducing risks and negative effects of social distancing for the most vulnerable, including the elderly and students affected by extended school closure during the coronavirus outbreak.</p>		<p>universal and affordable access to the Internet.</p> 
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</p> <p>The situation of B40 households, a vulnerable group is given particular attention in relation to affordable housing in the Framework.</p> <p>Affordable housing policies are an important element of a strategy for social inclusion in Malaysia. With housing now being widely recognised as a frontline defence against COVID-19, access to adequate affordable housing has become crucial. Prior to the crisis, lower-income households were already struggling with high housing costs. The pandemic has exacerbated the crisis for B40 households being able to buy and rent homes which, in turn, threatens to worsen socioeconomic disparities.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Financing or refinancing of construction, development, operation, renovation and/or maintenance of statutory housing for households which comprise the bottom 40% of the nation's income distribution (B40). 	<p>Alignment to SDG:</p> <p>10 REDUCED INEQUALITIES</p>  <p>Adequate housing is an important determinant of social inclusion, along with access to basic infrastructures, as they impact a person's or a household's opportunities and can generate barriers to participation. Affordable housing allows low-income households whose primary asset and liability is housing to access homeownership while preventing financial risks. This eligible category directly contributes to SDG 10 and target 10.2.</p> 
Social Project Category: Access to Essential Services		
<p>Sustainability Objective: Fostering access to healthcare and education</p> <p>Sustainability Benefits: Greater participation in society by disadvantaged groups through better access to healthcare and education and enhanced social infrastructures</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> Financing or refinancing of activities that improve provision of free or subsidised healthcare, and early warning, risk reduction and management of health crises including constructing, refurbishing, equipping and operating: 	<p>Alignment to SDG:</p> <p>10 REDUCED INEQUALITIES</p>  <p>Access to quality education and health services for all is essential to achieve inclusive, people-centred and sustainable development with no one left behind.</p>

Social Project Category: Access to Essential Services (cont'd)		
<p>This project category supports accessible healthcare and education services, as well as COVID-19 focused efforts to strengthen public health capacities with respect to pandemic management including efforts to contain the coronavirus disease. The pandemic has underscored the need to reinforce the public health infrastructure and increase funding of quality public health and care services to reduce health inequalities.</p>	<ul style="list-style-type: none"> - Health care facilities for the provision of public and/or subsidised health care services - Public infrastructure and equipment for the provision of emergency medical care and of disease control services - Public educational and vocational training centres for professionals in the public health care provision and emergency response • Financing of Covid-19 testing, diagnosis, treatment and prevention, containment and mitigation efforts • Financing or refinancing of activities that expand access to publicly funded primary, secondary, adult and vocational education, notably through but not limited to the following: <ul style="list-style-type: none"> - Construction, extension or refurbishment of public primary and secondary schools and universities - Construction, extension or refurbishment of technical/vocational training centres - The construction of public student housing - E-learning 	<p>This eligible category directly contributes to SDG 10 and target 10.2: By 2030, empower and promote the social, economic and political inclusion of all.</p> <div style="text-align: center;">  </div> <p>Inclusion in education will also contribute directly to SDGs 4 and 8 and respective targets of 4.5 and 8.6.</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  </div> <div style="text-align: center;">  </div> </div>
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>This project category promotes effective water and wastewater management to keeping freshwater</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Financing or refinancing the acquisition, construction, development, operation, renovation and/or maintenance of facilities, systems or equipment used for sustainable water and wastewater management, including: 	<p>Alignment to SDG:</p> <div style="text-align: center;">  </div> <p>Water has a critical role in transitioning to the circular economy. A circular economy or resource recovery approach to water and wastewater</p>

Green Project Category: Sustainable Water and Wastewater Management (cont'd)		
<p>withdrawals as low as possible through efficient use, conservation, reuse and recycle. It lends support to initiatives by the Government to promote reclaimed water use by the Government as set out in the Green Technology Master Plan (GTMP) Malaysia 2017-2030.</p> <p>This project category also allows for investments in agricultural irrigation and drainage systems to improve agricultural water productivity and climate resilience.</p>	<ul style="list-style-type: none"> - Collection, storage, treatment, purification, recycling and reuse of water - Agricultural irrigation and drainage systems to improve agricultural water productivity and climate resilience - Improvement to water supply and distribution infrastructure to improve water quality and water use efficiency - Wastewater treatment systems (including collection and treatment) provided that the new wastewater treatment substitutes more GHG emission intensive wastewater treatment systems. 	<p>management can alleviate stress on primary water resources which are under pressure from the continuing population growth and urbanisation.</p> <p>This eligible category contributes to SDG 12 and targets 12.2 and 12.5:</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>TARGET 12-2</p>  <p>SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES</p> </div> <div style="text-align: center;"> <p>TARGET 12-5</p>  <p>SUBSTANTIALLY REDUCE WASTE GENERATION</p> </div> </div> <p>Sustainable waste and wastewater management are also key SDG 6 targets and are interlinked with SDGs 11 and 12, in particular targets 11.5 and 12.5.</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>TARGET 6-3</p>  <p>IMPROVE WATER QUALITY, WASTEWATER TREATMENT AND SAFE REUSE</p> </div> <div style="text-align: center;"> <p>TARGET 6-4</p>  <p>INCREASE WATER-USE EFFICIENCY AND ENSURE FRESHWATER SUPPLIES</p> </div> </div> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="text-align: center;"> <p>TARGET 11-5</p>  <p>REDUCE THE ADVERSE EFFECTS OF NATURAL DISASTERS</p> </div> <div style="text-align: center;"> <p>TARGET 12-5</p>  <p>SUBSTANTIALLY REDUCE WASTE GENERATION</p> </div> </div>
Green Project Category: Environmentally Sustainable Management of Living Natural Resources and Land Use		
<p>Sustainability Objective: Sustainable use of water, climate change mitigation</p> <p>Sustainability Benefits: Biodiversity preservation, sustainable local and regional food systems, reduced vulnerability of food systems to climate shifts</p> <p>This project category promotes sustainable agriculture, fisheries and livestock farming</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Financing or refinancing sustainable development of living resources and land use through projects such as: <ul style="list-style-type: none"> - Sustainable agriculture <ul style="list-style-type: none"> ▪ Precision agriculture which improves the input efficiency of water and fertiliser ▪ Sustainable farming 	<p>Alignment to SDG:</p> <div style="text-align: center;">  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> </div> <p>Sustainable production practices in agriculture, fisheries and livestock farming protect the ecosystem services needed for food and water security, climate resiliency and reduced impacts on habitats and biodiversity. In</p>

Green Project Category: Environmentally Sustainable Management of Living Natural Resources and Land Use (cont'd)		
<p>as well as biodiversity and ecosystems projects that protect land and water ecosystem services and conserve remaining biodiversity. MARC views positively BPMB's intention to promote the sustainable use of natural ecosystems in the agriculture, fisheries and livestock sectors noting its importance as part of the shift toward a more inclusive climate resilient development path.</p>	<p>which is certified by credible third-party certification systems</p> <ul style="list-style-type: none"> - Sustainable fishery and aquaculture which are certified by credible third-party certification systems such as Malaysian Aquafarm Certification Scheme, Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC) - Climate smart livestock farming - Conservation of biodiversity and terrestrial and aquatic ecosystems through preservation, restoration and sustainable management activities by the public sector, not-for-profit environmental organisations or equivalent private initiative. 	<p>addition to economic and ecological benefits, sustainable agriculture projects will also contribute to increased food security. Meanwhile, the conservation and restoration of natural ecosystems will contribute to reducing GHG emissions. This eligible category contributes to SDG 12 and target 12.2:</p> <div style="text-align: center;"> <p>TARGET 12-2</p>  <p>SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES</p> </div>
Green Project Category: Climate Change Adaptation		
<p>Sustainability Objective: Facilitating climate adaptation</p> <p>Sustainability Benefits: Disaster risk reduction and climate change resilience protect climate sensitive ecosystem services</p> <p>This project category supports the process of climate change adaptation by promoting adaptation initiatives that protect climate sensitive ecosystem services as well as investments in infrastructure to address new, more intense, and frequent weather-related risks.</p>	<p>Eligibility Criteria:</p> <ul style="list-style-type: none"> • Financing or refinancing of climate adaptation projects including but not limited to: <ul style="list-style-type: none"> - Enhancing natural systems to prevent damage from coastal flooding such as reforestation of areas close to waterway - Flood risk mitigation infrastructure (dams, storm drainage) that reduces vulnerability to climate-related events and disasters - Manufacturing of electric and/or low-emission passenger vehicles (<50gCO₂e/km) 	<p>Alignment to SDGs:</p> <div style="text-align: center;"> <p>13 CLIMATE ACTION</p>  </div> <p>The mainstreaming of adaptation into development is key to managing the additional risks brought about by climate change and minimising anticipated adverse climate change impacts.</p>

Green Project Category: Climate Change Adaptation (cont'd)		
	including supporting infrastructure (e.g. electric charging points, charging infrastructure upgrades)	<p>This eligible category contributes to SDG 13 and targets 13.1 and 13.2:</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>TARGET 13-1</p>  <p>STRENGTHEN RESILIENCE AND ADAPTIVE CAPACITY TO CLIMATE RELATED DISASTERS</p> </div> <div style="text-align: center;"> <p>TARGET 13-2</p>  <p>INTEGRATE CLIMATE CHANGE MEASURES INTO POLICIES AND PLANNING</p> </div> </div>

Overall Impact Significance

The Framework is coherent with BPMB’s strategic sustainability priorities and developmental mandate. BPMB already supports climate mitigation and adaptation actions, primarily in the energy, water, transport, industrial and urban development sectors in its financing operations. The Framework will support and build on BPMB’s multisector approach to facilitate the national shift toward a more inclusive climate resilient development path. MARC considers that the eligible projects will provide impactful environmental and social benefits and advance the targeted SDGs, of which five are already embedded in BPMB’s 3-Year Strategic Transformation Plan. Specifically, they are SDG 7, 8, 9, 10 and 13. Importantly, the Framework seeks to accommodate the heterogeneity and diversity of climate vulnerability contexts and sustainability performance including climate action among its customers. Finally, the Framework also provides a highly targeted response to the coronavirus pandemic.

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

02 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

An amount equivalent to the net proceeds will be allocated to finance/refinance in part or in whole, existing and/or future assets, businesses or projects which meet the Framework's Eligibility Criteria.

Eligible green project categories include:

- Renewable energy;
- Energy efficiency;
- 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.

Eligible social project categories, meanwhile, include:

- Employment generation & retention including through SME financing;
- Digital inclusion;
- Affordable housing; and
- Access to essential services.

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 (also, ICMA Principles) and SC's SRI Sukuk Framework.

The environmental and social objectives and benefits of the project categories are clearly defined. BPMB will only be in a position to provide an estimate of the share of financing versus re-financing nearer to financial close in respect of which it intends to provide transparency. MARC understands that the Bank will also be refinancing eligible assets with a longer look-back period, i.e. over five years. The longer look-back period, which MARC considers consequential to the Bank's mandate of providing medium-to-long-term developmental financing, is not expected to affect the quality of the Eligible Assets portfolio. Furthermore, the Bank is committed to provide transparency on the refinanced portion of the portfolio and the look-back period in its allocation reporting. There is also sufficient transparency around the identified target population for the social projects.



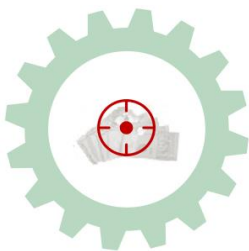
Process for Project
Evaluation and Selection

All potential assets, businesses and projects will go through the Bank's standard credit process as well as an existing development impact assessment. Projects are scored by looking at a set of 32 standardised indicators along two dimensions, namely financial sustainability and development impact. This scoring is augmented by an analysis of the project's strategic relevance, development challenges, development objectives and potential safeguards. Through its Measuring Impact of National Development (MIND) impact assessment framework, the economic, social and environmental dimensions of sustainable development are addressed in an integrated manner. All potential Eligible Assets need to comply with local laws and regulations, including any applicable regulatory environmental and social requirements.

In addition to an impact assessment on eligible projects or businesses, the Bank's Monitoring and Evaluation department (M&E) will screen potential Eligible Assets against the Eligibility Criteria set out in the Framework, and will make recommendations for the inclusion of qualifying assets as eligible Use of Proceeds. Potential Eligible Assets for Use of Proceeds identified by business units will need to meet the financing criteria established by BPMB in the ordinary course of its business as well as the Eligibility Criteria.

MARC believes the approach to project evaluation and selection allows the possible positive and negative impacts of a proposed project or development to be identified, as well as, appropriate mitigation measures for negative impacts. This minimises the likelihood that Sukuk proceeds will be used to support projects or business activities that have negative environmental and social (E&S) impacts. The final decision to approve the proposed assets for inclusion in the Eligible Assets Portfolio is made by the Bank's Board Credit Committee (BCC) or Group Credit Committee (GCC) in accordance with established credit approval limits.

The Eligible Assets portfolio will be monitored by M&E during the tenure of the Sukuk. An Eligible Asset that ceases to meet the eligibility criteria can be substituted with an asset that is evaluated and selected in accordance with the asset selection process.



Management of
Proceeds

BPMB's Treasury will establish an Asset Register to record the allocations and track the use of proceeds. The Asset Register will be updated to account for new additions, removal or substitutions in respect of Eligible Projects in the Portfolio. Any Sukuk proceeds that remain unallocated post-issuance will be held in cash and cash equivalents or invested at its own discretion in other liquid marketable instruments in accordance with the Bank's general liquidity management policy with preference given to SRI instruments. The Bank has established and formalised operating procedures to internally track and monitor the use of the Sukuk proceeds. The Bank will strive to achieve a level of allocation to the Eligible Assets Portfolio which matches or exceeds the balance of net proceeds from its outstanding Sukuk. All potential changes to the Eligible Assets Portfolio will

be recommended by M&E with the BCC and GCC having the responsibility for approving additions and substitutions to and removals from the Eligible Assets Portfolio.



Principle Four:
Reporting

Within one year of issuance, and annually thereafter until full allocation and in case of any material development, BPMB will publish a progress 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 BPMB's corporate website. It will include, among others:

- the amount of net Sukuk proceeds that have been allocated to one or more Eligible Projects either individually or by category, subject to confidentiality considerations;
- the list of Eligible Project categories;
- expected impact metrics, where feasible; and
- the outstanding amount of net Sukuk proceeds yet to be allocated to Eligible Projects at the end of the reporting period.

BPMB has included a set of indicative impart reporting metrics in its Framework to provide context into the Eligible Assets' impacts on sustainable development and the SDGs. BPMB will make its progress report available to the public on its corporate website at <https://www.bpmb.com.my>.

Overall Assessment

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

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

Assessment Grade	High	Good	Satisfactory	Low
	3	2	1	0

03 ANALYSIS OF SUSTAINABILITY PERFORMANCE

As a public institution wholly-owned by the Government of Malaysia, BPMB is focused on key public policy goals and promoting sustainable and inclusive growth in a way that is financially sustainable. Sustainability is a strategic priority for BPMB; across all its activities, the bank conducts its business according to a sustainable development model and supports new opportunities across a wide range of industries and services that contribute to a dynamic, equitable and sustainable domestic economy.

The bank's sustainability strategy builds on several pillars. The first is aligning its financing activities to the SDGs and UNEP FI Principles for Responsible Banking (PRB) to embed sustainability at the strategic, portfolio and transactional levels. BPMB plans to use its financing capacity to support investments critical for transition to a low carbon, resilient and sustainable pathways. Among the areas the bank has been supporting include sustainable transport, projects facilitating the transition to a circular economy, renewable energy and energy efficiency investments. The bank currently manages a RM2 billion Sustainable Development Financing Fund (SDFF) which primarily targets enterprises within the strategic priority sectors of infrastructure, maritime, oil & gas and technology which are able to contribute positively to any one of the 17 SDGs. BPMB is also supporting the development and accelerated adoption of Industry 4.0 related technologies to boost and sustain competitiveness, especially in the manufacturing sector and ensuring they are equally accessible to small and medium enterprises (SMEs), in line with the National Policy on Industry 4.0 –Industry4WRD and the Malaysia Digital Economy Blueprint.

Potential projects are appraised using BPMB's MIND Framework to identify and manage potential impacts and risks, and to ensure alignment with the bank's responsible banking commitments, consistent with its mandate to be the catalyst for sustainable development. This ensures support is provided to projects that make a meaningful contribution to the SDGs. BPMB has incorporated climate risks in line with Bank Negara Malaysia's Climate Change and Principle-based Taxonomy to facilitate assessment of the impact of economic activities on climate mitigation, adaptation and the transition to low-carbon and sustainable practices. BPMB is strongly committed to energy transition; in 2021, low emission power projects financed by the bank produced an estimated 2,628 GWh of clean energy upon project completion.

The second pillar is a commitment to catalyse investment for sustainable, resilient and inclusive recovery and growth via the capital markets. As a DFI, BPMB is able to mobilise private financing for strategic, and potentially higher-risk investments by taking a place in the capital structure and role in the financing of projects that would be different from commercial banks and institutional investors. BPMB intends to help scale up green investments and contribute to making the financial system greener.

The Framework establishes the road map for issuances, the proceeds of which will be deployed for Malaysia's sustainable development through projects contributing to environmental and social sustainability objectives. It will also provide broader opportunities for the bank to diversify its financing portfolio away from its traditional sectors, contribute to building new resilient sectors and address unserved and undeserved markets. For instance, the Framework promotes investing in energy and transport infrastructure networks as well as urban development with important social infrastructure for health and education.

The third pillar is to implement integrated reporting and disclosures to improve accountability and transparency around sustainability opportunities, risks and the SDG impact of its financed activities in line with responsible banking principles. As a signatory bank to the PRB since May 2020, BPMB has committed to report on its impact, how it is implementing responsible banking, the targets the bank has set and the progress that has been made. Through integrated reports accessible by all stakeholders, BPMB demonstrates the linkages between its strategy, governance and financial performance in the context of its commitment to facilitate a sustainable development pathway. With its enhanced Performance Measurement Framework (PMF), there is now increased transparency on BPMB's social and governance performance, and how this relates to its financial performance.

The final pillar is to promote corporate resiliency and sustainability within its own walls by reducing the environmental footprint of its own operations through the responsible management of energy, water, and waste.

Overall, MARC is of the opinion that BPMB is well positioned to provide sustainable financing through its Framework which aligns well with the bank's sustainability strategy and holistic approach to creating positive environmental and societal impact.




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's 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's 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>Bonds assessed at this level are judged to offer very significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support high standards of accountability and transparency.</p>
	<p>Bonds assessed at this level are judged to offer significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support good standards of accountability and transparency.</p>
	<p>Bonds assessed at this level are judged to offer fairly significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support satisfactory standards of accountability and transparency. Minor shortcomings exist in the areas assessed but none of major concern.</p>

MARC

Incorporated in October 1995, MARC is a full-service domestic credit rating institution. MARC's ratings are recognized and accepted in the Malaysian capital markets. MARC is recognized by Bank Negara Malaysia and Securities Commission, respectively, as an External Credit Assessment Institution (ECAI) under Basel II and as a bond rating agency regulated under the Guidelines on the Registration of Credit Rating Agencies issued by the Securities Commission on 30 March 2011. MARC adopts 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 has consulted 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 website at https://www.marc.com.my/images/Rating_Methodologies/8/Impact_Bond_Assessments_20180713.pdf. As explained in the criteria, MARC's analytical framework consists of three components that provide insight 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 marc@marc.com.my.

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

Bank Pembangunan Malaysia Berhad Sustainable Development 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</p> <p><u>ASEAN Standards</u></p> <p>3.1 The issuer must be an ASEAN issuer, or the eligible green and/or social project(s) must be in an ASEAN country.</p> <p><u>SRI Sukuk Framework</u></p> <p>7.02 The proceeds (of Sukuk) will be applied exclusively for funding of any activities or transactions relating to the Eligible SRI projects.</p> <p>7.04 An issuer who wishes to issue an SRI sukuk must establish policies and processes to ensure compliance with the SRI Sukuk Framework as set out in these Guidelines.</p> <p>Eligible Projects</p> <p>7.07 An eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</p> <p>(a) Preserving and protecting the environment and natural resources;</p> <p>(b) Conserving the use of energy;</p> <p>(c) Promoting the use of renewable energy;</p> <p>(d) Reducing greenhouse gas emission;</p> <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>BPMB is an ASEAN issuer.</p> <p>The Sukuk proceeds will exclusively be allocated to finance or refinance Eligible Assets that relate to Eligible SRI projects.</p> <p>BPMB has established policies and processes to ensure compliance with the SRI Sukuk Framework.</p> <p>Eligible projects as defined by the Framework will achieve any one or a combination of objectives (a) through (f) set out in paragraph 7.07 of the SRI Sukuk Framework.</p>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>7.08 The Eligible SRI projects may include:</p> <p>(a) Green projects that relate to, amongst 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, amongst others—affordable basic infrastructure; access to essential services; affordable housing; employment generation including the potential effect of SME financing and microfinance; food security; and socioeconomic advancement and empowerment.</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>Eligible project categories detailed in the Framework align with eligible SRI project categories in paragraph 7.08 (a), (b) and (c) of the SRI Sukuk Framework. Eligible green project categories include:</p> <ul style="list-style-type: none"> • Renewable energy • Energy efficiency • 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 • Green buildings <p>Eligible social project categories, meanwhile, include employment generation & retention including through SME financing, digital inclusion, affordable housing and access to essential services.</p> <p>Clean Transportation projects serving the general public provide social co-benefits along with environmental benefits.</p>	
<p>Use of Proceeds <u>ASEAN Standards</u></p> <p>4.1 4.1.1 The utilisation of issue proceeds must be described in the documentation for issuance.</p> <p>4.1.2 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.</p> <p>4.1.3 All designated Green and/or Social Projects must provide clear environmental/social benefits, which will be assessed and, where feasible, quantified by the Issuer.</p>	<p>The utilisation of issue proceeds is clearly described in the Framework.</p> <p>Complied. The Framework lists eligible categories which align to nine green project categories and four social project categories recognised by the ASEAN Standards. Refer to assessment of compliance with the SRI Sukuk Framework 7.08.</p> <p>The use of proceeds project categories set out in the Framework are recognised as impactful by the ASEAN Standards.</p>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>4.1.4 In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that Issuers provide an estimate of the share of financing and refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced and, to the extent relevant, the expected look-back period for refinanced projects.</p>	<p>BPMB plans to provide information on the distribution of proceeds allocated to new financing and refinanced assets that meet the Eligibility Criteria. In addition to new Eligible Projects, the proceeds will be used to refinance existing Eligible Projects.</p>	<p>BPMB plans to allocate a proportion of the net proceeds to refinance existing projects that meet the Eligibility Criteria. The Framework does not specify the expected look-back period, but we understand that the Bank has identified a significant amount existing assets in its financing portfolio to be refinanced by net proceeds from Sukuk issued, disclosure of which will be made in the Bank's allocation reporting.</p>
<p>Process for Project Evaluation and Selection <u>ASEAN Standards</u> 4.2 4.2.1 The issuer must clearly communicate to investors:</p> <p>(i) The environmental/social sustainability objectives;</p> <p>(ii) The process by which the Issuer determines how the projects fit within the identified eligible project categories; and</p> <p>(iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social (E&S) risks associated with the selected projects.</p> <p>4.2.2 The Issuer must establish the process for project evaluation and selection prior to the issuance of the Bonds and disclose the same to investors in the documentation for the issuance of the Bonds.</p> <p>4.2.3 Issuers are encouraged to position this information within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental and social sustainability. Issuers are also encouraged to disclose any green and social standards or certifications referenced in project selection.</p>	<p>The E&S objectives are defined in line with the issuer's sustainability strategy and SDGs.</p> <p>The Framework outlines the internal process by which Eligible Assets/Projects are assessed and selected to ensure the eligibility of the projects.</p> <p>The eligibility and exclusion criteria are clearly communicated in the Framework.</p> <p>BPMB has disclosed the process that the Bank has established for project evaluation and selection in the Framework.</p> <p>BPMB has positioned this information in the context of the Issuer's mandate as a development bank, the focus SDGs as embedded in its strategic transformation plan, and its development impact assessment framework.</p>	<p>Eligible projects undergo a development impact assessment by the bank's M&E department in addition to meeting the Framework's Use of Proceeds criteria.</p> <p>New projects will be subject to the bank's development impact assessment which encompasses E&S impact.</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>BPMB has appointed MARC as external reviewer for its Framework.</p> <p>BPMB has committed to make the required information available on its corporate website at https://www.bpmb.com.my</p>	<p>Review of BPMB's Framework.</p> <p>The Framework that will outline the process for project evaluation and the external review report by external review provider, MARC, 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, BPMB will make its Framework available to investors. The Framework describes the process for managing the net proceeds from the Sukuk.</p> <p>BPMB will manage the Sukuk proceeds using a portfolio approach. The management of proceeds will be tracked by a formal internal process with disbursements for Eligible Assets taking place in accordance to established procedures.</p> <p>BPMB will track the difference between the balance of the net proceeds raised from the outstanding Sukuk and the aggregate amount of the Eligible Assets Portfolio.</p> <p>The Framework discloses to investors the intended types of temporary placement for the balance of unallocated net proceeds. Pending the allocation of net proceeds of the Sukuk, BPMB will hold the proceeds in cash, cash equivalents and/or other liquid marketable instruments with preference given to SRI/ASEAN Standards/ICMA Principles compliant instruments in accordance with the Bank's normal liquidity management policy.</p>	<p>The net proceeds from Sukuk issued will not be credited to a segregated account and will be internally tracked instead.</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><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>BPMB will monitor the allocation of the Sukuk proceeds and the Eligible Assets portfolio 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, until full allocation of the net Sukuk proceeds, and on a timely basis in the case of material developments, BPMB will publish a progress report which follows best practices and the ASEAN Standards' guidance for reporting.</p> <p>The progress report that will be published by BPMB will detail each project financed wherever possible, subject to confidentiality and/or competitive considerations.</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>BPMB has included a set of indicative impact reporting metrics in its Framework and is expected to incorporate additional indicators as needed to report on the impact of its Sukuk.</p> <p>Updates of the external review are encouraged by the ASEAN Standards but are strictly voluntary.</p> <p>BPMB commits to publish annually and throughout the tenure of the Sukuk a progress report on its corporate website at https://www.bpmb.com.my.</p> <p>BPMB 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>BPMB is expected to provide the information on Eligible Asset level where practicable and per category otherwise.</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 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 is a full review and addresses alignment with all four components of the relevant standards.</i></p>	<p><i>MARC 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 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's 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

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