



SUSTAINABILITY SUKUK FRAMEWORK

The Bank Rakyat Sukuk Sustainability Framework is a comprehensive framework that integrates sustainability principles into the issuance of Sukuk. It aims to promote environmentally and socially responsible investment, ensuring transparency and accountability in Islamic finance.

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1. OVERVIEW

1.1. Background

Bank Rakyat is a prominent financial institution in Malaysia, playing a vital role in the country's banking sector. Established on 28 September 1954 under the Cooperative Ordinance 1948 (known as the Cooperative Societies Act 1993) and regulated by Bank Negara Malaysia (“**BNM**”) under Development Financial Institutions Act (“**DFIA**”), Bank Rakyat has grown to become the largest Islamic cooperative bank in Malaysia, specializing in providing a comprehensive range of Shariah-compliant financial products and services to individuals, businesses, and organizations.

As an agency of the Ministry of Entrepreneur Development and Cooperatives (“**KUSKOP**”), Bank Rakyat is dedicated to support the Ministry's mission of consolidating the cooperative sector as the mainstay of the nation's economic growth. Bank Rakyat actively aligns its efforts and initiatives to contribute to this mission, ensuring that cooperative enterprises thrive and contribute to the overall economic development of Malaysia.

Being Malaysia's largest Islamic cooperative Bank, Bank Rakyat aims to integrate Environmental, Social and Governance (“**ESG**”) considerations into the Bank's business activities. Bank Rakyat shall demonstrate its commitment to sustainability initiatives by mobilising its resources towards sustainable development objectives and by creating a lasting positive impact for the Bank's stakeholders.

Bank Rakyat has mindfully initiated an ESG financing portfolio and continued to invest in corporate social initiatives that deliver meaningful social impacts. In January 2022, this commitment was supported with the introduction of the Bank Rakyat Sustainability Framework and Policy (“**BRSFP**”) and Sustainability Risk Policy in November 2022. These were conscientiously prepared in accordance with regulatory requirements, as well as in reference to external initiatives, standards and guidelines such as Bank Negara Malaysia (“**BNM**'s”) policy documents such as the Implementation Guide for Value-Based

Intermediation (“VBI”), as well as the Climate Change and Principle-based Taxonomy (“CCPT”).

1.2. Our Sustainability Approach

At the core of the BRSFP is the Bank’s corporate vision and mission. The corporate vision and mission are included in the BRSFP to highlight the integration of sustainability into the Bank’s business operations. By aligning Bank Rakyat’s corporate vision and mission with its sustainability vision and mission, the Bank shall be able to transform into a sustainable financial institution.

Bank Rakyat’s Sustainability Vision and Mission are as follows:

Sustainability Vision

To build a sustainable future for the Bank and its stakeholders.

Sustainability Mission

To drive socioeconomic development for the nation and accelerate the green transition, while continuously strengthening our internal foundation.

The BRSFP supports the Bank’s Sustainability Vision of building a sustainable future for the Bank and its stakeholders. The Bank’s overarching ambition of building a Sustainable Future is supported by three (3) key pillars, which span across Environment, Economic and Social considerations, as listed below. These three pillars are aligned to the Bank’s Sustainability Mission:

i. Driving Socioeconomic Development for the Nation (Social)

For Malaysia to become a sustainable and inclusive nation, there is a pressing need to reduce socioeconomic inequalities and lend support to marginalised communities. Bank Rakyat remains committed to empowering individuals and uplifting communities, giving them the knowledge, capabilities and resources they need to thrive and flourish.

By nurturing entrepreneurs, promoting financial literacy, enhancing the customer experience, promoting access to finance, encouraging the development of communities across Malaysia, and supporting the growth of cooperatives, Bank Rakyat aims to not only enable inclusive socioeconomic development but build a more sustainable future for all.

ii. Accelerating the Green Transition (Environment)

To achieve sustainable development objectives, it is important to systemically transform the financial sector so that it supports positive green and social outcomes. There is a need to embrace digitalisation, enhance access to finance, improve the customer experience, and realign business objectives towards VBI, all with the ultimate goal of safeguarding the environment.

With these changes, the financial sector will become more sustainable and will play a critical role in protecting environmental health and addressing climate change. Hence, Bank Rakyat is committed to mobilise its resources to safeguard the environment and achieve positive environmental outcomes.

By reimagining the banking system and experience, Bank Rakyat strives to support the growth of responsible businesses and cooperatives, expand access to financial services and encourage the development of new, innovative, and environmentally friendly technologies. Additionally, the Bank will deliver an outstanding customer experience by actively engaging with its customers, building climate resilience for the Bank and its stakeholders. Taken together, these efforts aim to promote positive change across Malaysia.

iii. Strengthening Our Internal Foundations (Social-Workplace)

At the heart of Bank Rakyat's journey of sustainable transformation lies our commitment to developing, nurturing, and supporting our workforce. We will continue to invest in our human capital, ensuring that our talents are equipped with the skills and knowledge they need to progress in their careers and support the Bank's strategic ambitions. We aim to cultivate a culture of continuous learning and high performance, both of which will ensure that our workforce is capable of addressing current and future social, economic, and environmental needs.

1.3. Sustainability Sukuk Framework

The Bank Rakyat Sustainability Sukuk Framework ("**The Framework**") is a comprehensive framework that integrates sustainability principles into the issuance of Sukuk. It aims to promote environmentally and socially responsible investment, ensuring transparency and accountability in Islamic Finance. The determination of eligible asset for Sustainability Sukuk in this Framework aligned with BRSFP.

The framework is formatted with the objectives to mobilize capital for sustainable projects and contribute to a more equitable and environmentally conscious society by incorporating sustainability principles into Sukuk issuances. Bank Rakyat will focus on creating tangible impacts on the eight (8) selected Sustainable Development Goals ("**SDGs**"), in line with the core sustainable development framework and policy, as follows:

- 1) SDG 1 No poverty
- 2) SDG 4 Quality education
- 3) SDG 7 Affordable and Clean Energy
- 4) SDG 8 Decent work and economic growth
- 5) SDG 9 Industry, innovation, and infrastructure
- 6) SDG 10 Reduced inequality
- 7) SDG 12 Responsible consumption and production
- 8) SDG 13 Climate Action

The Framework is aligned with the following guidelines and standards:

1. Bank Rakyat Sustainability Framework and Policy (“**BRSFP**”);
2. Sustainability and Responsible Investment Sukuk Framework, issued by the Securities Commission Malaysia (“**SC**”)¹;
3. ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards and ASEAN Social Bond Standards, issued by the ASEAN Capital Markets Forum (“**ACMF**”)² and
4. Sustainability Bond Guidelines, Green Bond Principles, Social Bond Principles, issued by the International Capital Market Association (“**ICMA**”).

The Framework is established to provide guidelines for the issuance of Sustainability Sukuk for Bank Rakyat and its Special Purpose Vehicles (“**SPVs**”)³. This framework will be communicated throughout the Bank to ensure that all relevant personnel clearly understand the Bank’s approach in Sustainability Sukuk.

The Framework comprises the following core components:

1. Utilisation of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

¹ Chapter 7 of Part 3 of Section B of the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 and revised on 26 April 2021 (“**LOLA Guidelines**”)

² Chapter 8 of Part 3 of Section B of the LOLA Guidelines

³ SPV incorporated under the Companies Act 1965 to raise funds and/or to issue debentures/Islamic securities for or in connection with Bank Kerjasama Rakyat Malaysia Berhad

2. UTILISATION OF PROCEEDS

The utilisation of proceeds of Bank Rakyat Sustainability Sukuk (“**Proceeds**”) will be used to finance in whole or in part, and/or refinance existing businesses and projects (collectively, termed “**Eligible Assets**”) that promote any of the identified and selected SDGs as defined by the UN, as outlined in this Framework. Eligible Assets are considered to be “financed” from the net proceeds of a Sustainability Sukuk when the relevant Eligible Asset is financed after the Sukuk’s issuance. Eligible Assets are considered to be “refinanced” from the net proceeds of a sustainability Sukuk when the relevant Eligible Asset was financed before the Sukuk’s issuance. Accordingly, net proceeds raised through the issuance of Sukuk under this Framework can be used to finance new Eligible Assets or to refinance existing Eligible Assets. These Eligible Assets shall be Shariah-Compliant.

The proceed will be applied to eligible businesses and projects. Financing provided to any business or project that is not eligible within the criteria set out in this Framework will not be considered as a use of proceeds of Bank Rakyat Sustainability Sukuk issued. The Bank may include additional green and/or social eligible categories from time to time.



General financing will qualify as the Eligible Assets if at least 80% of the financing recipient’s revenue is derived from sources that meet the relevant eligibility criteria set out below.

Bank Rakyat recognizes investors’ preference for enhanced information on the use of proceeds. Where possible, Bank Rakyat will provide further information and examples of eligible businesses and projects financed by Bank Rakyat Sustainability Sukuk.



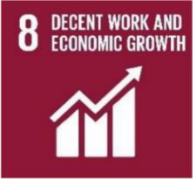


2.1 Eligible Categories and Eligibility Criteria

Eligible Categories: The criteria for eligible financing are as **Table 1** below:



Table 1: Eligible Categories

Eligible Categories	Eligible Criteria
<p>1. Renewable energy</p> 	<ul style="list-style-type: none"> • Acquisition, construction, research, development, operation, renovation and/or maintenance of one (1) or more of the following renewable energy generation sources: <ul style="list-style-type: none"> - Solar energy - Hydropower (≤ 25 MWh or power density $> 10\text{W/m}^2$ or greenhouse gas (“GHG”) emissions intensity $< 50\text{gCO}_2\text{e/kWh}$) - Geothermal (with direct emissions of less than $100\text{gCO}_2\text{e/kWh}$) - Bio energy including connections of renewables into the grid and investments to enhance transmission capacity of the grid; or • Manufacturing, trading and/or import of components of renewable energy technology (including but not limited to solar panels, inverters, storage batteries). • Financing for purchase of solar panel installation.
<p>2. Green building</p> 	<ul style="list-style-type: none"> • Green buildings mean commercial or residential buildings that meet the widely accepted green building standards locally or internationally. • Construction, renovation and/or purchase of residential, commercial, industrial buildings and mixed development that: <ul style="list-style-type: none"> - Meet recognised environmental standards such as: <ol style="list-style-type: none"> i. Green Building Index (“GBI”) (Gold and above) ii. GreenRE (Gold and above); or - Achieve a minimum of 20% improvement in energy use or carbon emission as a result of renovation.

Eligible Categories	Eligible Criteria
<p>3. Clean transportation</p> 	<ul style="list-style-type: none"> Acquisition, construction, research, development, maintenance, operation and/or financing of electric vehicles (“EV”) bicycles, and associated infrastructure (including EV charging and alternative fuel infrastructure) Acquisition, construction, research, development, maintenance, and/or operation of: <ul style="list-style-type: none"> Public/mass transportation systems and/or of equipment for such systems (e.g. Mass Rapid Transport, Bus Rapid Transit) Facilities and equipment that reduce energy consumption or improve the efficiency of resources.
<p>4. Sustainable water and wastewater management</p> 	<ul style="list-style-type: none"> Acquisition, construction, research, development, operation, renovation and/or maintenance of facilities, systems or equipment used for sustainable water and wastewater management, includes: <ul style="list-style-type: none"> Collection, treatment, recycling and reuse of water and wastewater Flood prevention, flood defense or storm water management Improvement to water infrastructure that increases water efficiency (e.g. Water saving systems, technologies and water metering) Wastewater treatment infrastructure with the objective of reducing pollutant discharge load or improving plant efficiency.
<p>5. Waste and pollution control</p> 	<ul style="list-style-type: none"> Acquisition, construction, development, operation, renovation and/or maintenance: <ul style="list-style-type: none"> Treatment, collection, reuse, reduction of emissions, reduction of waste and hazardous waste or treatment of contaminated soil; or Diverting waste and/or hazardous waste away from landfill Research into and development of processes, infrastructure, technology, and facilities that promote efficient resource use and management (e.g. circular economy, water and energy conservation). Construction, operation, maintenance and/or upgrading of recycling facilities or infrastructure for both public and industrial waste.

Eligible Categories	Eligible Criteria
<p>6. Affordable housing</p>  	<ul style="list-style-type: none"> • Construction, development, operation, renovation and/or maintenance of facilities, services, systems, or equipment used for: <ul style="list-style-type: none"> - Building adequate, safe, and affordable housing for excluded and/or marginalised populations or communities. • Purchase of affordable housing or social housing for first-time home buyers. • Financing/assets in relation to <ol style="list-style-type: none"> i) Any of the following government-supported schemes that promote home affordability: <ul style="list-style-type: none"> - Skim Rumah Pertamaku; or - Such other government-supported schemes as defined by the Federal or any State Government from time to time; or ii) Affordable housing projects. “Affordable housing” as defined by the Federal or any State Government or other relevant entity from time to time.
<p>7. Access to essential services: financing and financial services</p>   	<ul style="list-style-type: none"> • Microfinance schemes such as microcredits, micro savings and micro takaful for individuals or financing for Microfinance Institutions. To be eligible for the use of Proceeds, the assets should be targeted at low-income populations⁴ and should also exhibit one (1) or more of the following characteristics: <ul style="list-style-type: none"> - Accessible and affordable, e.g., reasonable profit rates, no collateral/guarantor required, innovative channels such as digital finance. - Responsible, e.g., consultation and training support to customers - Flexible, e.g., deferment of repayment and/or restructuring of repayment schedule. • For the avoidance of doubt, personal financing for low-income populations qualifies for the use of Proceeds, subject to meeting the characteristics above.

⁴ Low-income populations are defined as the bottom 40% of households with a monthly income of RM4,850 and below (“B40”). The definition of B40 shall be updated from time to time to be consistent with the Household Gross Income definition by the Department of Statistics, Malaysia.

Eligible Categories	Eligible Criteria
<p>8. Access to essential services: education and vocational training</p> 	<ul style="list-style-type: none"> • Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment for public and government-subsidised education that is broadly accessible to all populations, including: <ul style="list-style-type: none"> - New infrastructure or improvements to universities, colleges, schools and early learning services. - Activities that target inclusion of excluded and/or marginalised populations in the education system. - Digital learning • Education financing for low-income populations, youth and professionals.
<p>9. Socioeconomic advancement and empowerment & Employment generation</p> 	<ul style="list-style-type: none"> • Financing for co-operatives, startups and micro, small and medium-sized enterprises⁵ (“SMEs”). To be eligible for the use of proceeds, the assets should exhibit one 1 or more of the following characteristics: <ul style="list-style-type: none"> - Operate in sectors/activities that contribute to other UN SDGs in the Framework. - Owned or operated by marginalised unserved or underserved groups. - Benefit low-income populations or areas in terms of employment and expanded access to basic needs such as food, healthcare, and education.

⁵ For the manufacturing sector, SMEs are defined as firms with sales turnover not exceeding RM 50 million OR number of full-time employees not exceeding 200. For the services and other sectors, SMEs are defined as firms with sales turnover not exceeding RM 20 million OR number of full-time employees not exceeding 75. The definition of “SMEs” shall be updated from time to time to be consistent with the SME definition by SME Corporation Malaysia.

2.2 Exclusions

The utilisation of proceeds from Bank Rakyat's Sustainability Sukuk issuance will not be used for projects with the following criteria:

- Non-Shariah-compliant activities
- Illegal activities
- Non-halal industries
- Weapons
- Alcohol
- Gambling/adult entertainment
- Fossil fuel power generation projects
- Tobacco-related project/products

3. PROCESS FOR PROJECT EVALUATION AND SELECTION

Bank Rakyat's sustainability commitments are driven by a robust governance framework to ensure high level of integrity and transparency in all their internal and external interactions. The implementation of the sustainability agenda in regard to the development of the Framework will be responsible by the relevant parties as below:

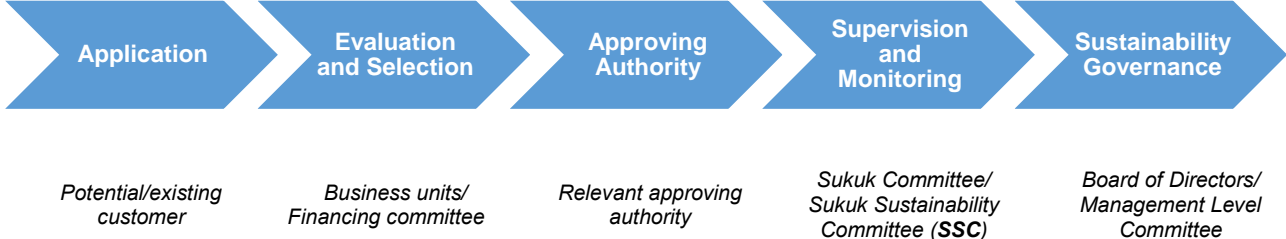
- i. Bank Rakyat's Board of Directors ("**the Board**"), will hold the ultimate responsibility for the Framework to ensure that the Bank undertakes effective integration of sustainability considerations into all activities and operations. Their responsibilities include:
 - Oversight of Bank Rakyat's sustainability strategy, sustainability integration and overall ESG risk management,
 - Approve the Framework and policies related to sustainability matters at Bank Rakyat
- ii. Management Level Committee
 - Responsible for ensuring the effective execution of the Bank's sustainability strategy, principally by monitoring and driving the implementation of the Bank's sustainability initiatives, projects, and programmes,
 - Responsible to ensure that the Bank has the necessary infrastructure, resources, and systems in place to effectively and efficiently execute the Bank's sustainability initiatives, and
 - Reviewing and approving the Framework and any subsequent changes to the Framework.

The Framework also will follow by internal governance which also to be reviewed by Sukuk Sustainability Committee ("**SSC**"), and Sukuk Committee.

The Bank Rakyat's respective business units will identify the criteria and assess the potential projects. The eligible projects will be selected, recommended to the approving authority for evaluation, and approved. The SSC which was established in 2022 is responsible for ensuring the effective implementation and the accountability of the Framework. This includes reviewing the project list initially proposed by the business units

to ensure alignment with the policy established by the Sustainability Department and relevant guidelines are applied consistently. The SSC comprises of representatives from the Risk Management, Finance, Compliance, Strategic, Retail Banking and Business Banking.

The process for project evaluation and selection is illustrated as follows:



The relevant business unit and financing committee will maintain and review the register for the Eligible Assets periodically and ensure that the assets meet the criteria set out in the Framework. If the project no longer or does not meet the eligibility criteria, the SSC may recommend to the business units to remove the particular project from the Eligible Assets pool and replace it with another project that fits the criteria as soon as it has been identified.

4. MANAGEMENT OF PROCEEDS

The Sustainability Sukuk proceeds allocated for the eligible business and projects are credited into a designated account or otherwise tracked in an appropriate manner. The proceeds will be allocated to a portfolio of Eligible Assets selected as per the evaluation and approval process set out above.

Bank Rakyat will track the allocation of the proceeds and the portfolio of the Eligible Assets under an earmarked position via its established internal reporting system.

While any portion of the proceeds has not been allocated, pending the allocation or reallocation, Bank Rakyat will invest the balance of the net proceeds, at its own discretion, cash, cash equivalents, and/or invest in other liquid marketable instruments in accordance with Bank Rakyat's liquidity management policy.

5. REPORTING

In accordance with the guidelines as well as the transparency policy demanded by investors useful insight relating to their investments, Bank Rakyat will prepare and make publicly available a Sustainability Sukuk Report on its website annually. The report will be updated in case of new development and until the allocation is fully utilised.

5.1. Allocation Reporting

The allocation report section of the progress report will include, among others:

1. Aggregate amounts of funds allocated to each of the Eligible Categories, as listed in **Table 2**;
2. Removal or substitution of Eligible Assets; and
3. The remaining balance of unallocated proceeds at the end of the reporting period.

5.2. Impact Reporting

As part of its commitment to transparency, Bank Rakyat intends to furnish, whenever possible, examples of the Eligible Assets financed or refinanced by the Sustainability Sukuk issued under the Framework. Additionally, it plans to provide impact metrics for each of the Eligible Categories, which may encompass;

Table 2: Indicative Impact Reporting Criteria

Category	Indicative Impact Reporting Criteria
Renewable energy	<ul style="list-style-type: none">• Total installed capacity (MW)• Annual renewable energy generation (MWh) and/or capacity of renewable energy plants constructed or rehabilitated (MW)• Annual GHG emissions reduced/avoided in tonnes of CO₂ Equivalent• Number of people with access to clean energy services
Green building	<ul style="list-style-type: none">• Number of solar panels installed on the customer's premise.• Number of green buildings financed.• Annual energy savings in MWh/GWh

Category	Indicative Impact Reporting Criteria
	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tonnes of CO₂ Equivalent
Clean transportation	<ul style="list-style-type: none"> • Number of mass transit projects supported. • Public transit passenger capacity. • Annual GHG emissions reduced/avoided in tonnes of CO₂ equivalent. • Estimated reduction in car usage.
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Number of water distribution facilities built or upgraded. • Volume of clean water provided. • Volume of water saved: Annual absolute (gross) water use before and after the project in m³ per annum, reduction in water use in % • Number of flood mitigation projects financed
Waste and pollution control	<ul style="list-style-type: none"> • Amount of waste diverted from landfill tonnes • Amount of waste recycled tonnes. • Amount of waste reused tonnes. • Emissions or pollutants reduced or avoided.
Affordable housing	<ul style="list-style-type: none"> • Number of affordable and social houses financed. • Number of individuals/ families benefiting from subsidized housing.
Access to essential services: financing and financial services	<ul style="list-style-type: none"> • Number of B40 microcredit recipients. • Number of financings to microenterprises/SME. • Regions in which microfinance institutions were built. • Number of social assistance programmes (transfer of cash systems) provided. • Number of financings for Ar-Rahnu & Az-Zahab
Access to essential services: education and vocational training	<ul style="list-style-type: none"> • Number of businesses participated as an entity in specialized advisory programmes conducted for the year. • Number of educational institutions funded by type. • Number of students served. • Number of education financing given out to low-income populations, youth and professionals • Number of financings provided for education using Ar-Rahnu.
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Amount of financing approved to SMEs and micro enterprises. • Amount of financing approved to SMEs for export purposes. • Amount of financing approved to SMEs that have at least 51% Bumiputera shareholding. • Types of SME financed.

Category	Indicative Impact Reporting Criteria
	<ul style="list-style-type: none">• Number of jobs created and/or maintained by SMEs.• Amount of financing approved for women-led SMEs.

6. EXTERNAL REVIEW

Bank Rakyat may obtain a second-party opinion from an appropriate provider to confirm the alignment of the Framework with the standards and guidelines listed in section 1.3. The second-party opinion will be published on Bank Rakyat’s official website at www.bankrakyat.com.my.