

# **Sustainability Sukuk and Bond Framework**

**March 2023**

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## 1.0 Introduction

### About RHB

RHB Banking Group (“**RHB**” or the “**Group**”) is a multinational regional financial services provider that is committed to delivering complete solutions to customers through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experiences, underpinned by a cohesive and inspired workforce, and relationships built with stakeholders.

### RHB’s Approach to Sustainability

Since 2017, RHB has been progressively integrating environmental, social and governance (“**ESG**”) considerations into our operations and business decision making process. The Group Sustainability Strategy and Roadmap (“**SSR**”) which was established in 2021 contains our commitments and pillars to guide us in ensuring the wellbeing of planet, people and prosperity for all our stakeholders. This SSR has since been reviewed by our senior management and Board and further revised in 2022. In addition, we have put in place the Group ESG Eligible Business Activities Guideline to provide guidance for systematically and effectively delivering sustainable solutions to our customers.

Our new refreshed and enhanced SSR directs our focus and makes it our responsibility to nurture customers towards sustainable practices and to support the regional and global transition towards a low-carbon economy. The refreshed strategy underscores the Group’s sustainability purpose to be a sustainable and responsible financial services provider by promoting sustainable and inclusive growth for customers, employees and communities while upholding good governance to create value. It paves the way for the Group to redefine its sustainability focus areas and to allow the Group to further contribute to the United Nations Sustainable Development Goals (“**SDGs**”).

The Group’s approach to sustainability is based on 3 thematic pillars with 9 focus areas of the Sustainability Strategy and Roadmap:

- **Sustainable & Responsible Financial Services**

Focus Areas:

Sustainable Financial Services, Financial Inclusion and Empowerment for all segment and categories of customers and includes a targeted approach to advance and promote sustainable practices and activities amongst Small, Medium Enterprises (“SMEs”) as they represent a significant portion of a country’s GDP and employment opportunities.

Parameters:

- Integrate ESG considerations into our business strategies and decision-making process whilst nurturing customers and communities towards achieving sustainable growth

Primary SDGs:



- **Embedding Good Practices**

Focus Areas:

Ethics & Conduct, People & Workplace, Environmental Stewardship, Sustainable Procurement

Parameters:

- Foster responsible practices and nurture a sustainable culture within our organisation and sphere of influence

Primary SDGs:



- **Enriching & Empowering Communities**

Focus Areas:

Nurturing Future Generations, Lifting Communities

Parameters:

- Create long term positive impact on the communities, focusing on nurturing children and young adults through holistic learning and development programmes

Primary SDGs:



## 2.0 RHB’s Sustainability Sukuk and Bond Framework (“SSBF”)

RHB recognises that our commitment to serve the community through a winning operating model is intrinsically linked to the sustainable practices in the core market. In balancing the assets and liabilities management with focus to optimise shareholders’ returns, funding is an important lever for the Group.

RHB is committed to support the global transition towards a low carbon economy which aligns with the Paris Agreement and addresses climate change whilst ensuring that all stakeholders have access to sustainable financing, through the establishment of the RHB’s Sustainability Sukuk and Bond Framework (“**SSBF**”). The establishment of the SSBF is aligned with the following:

- (1) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines, issued by the International Capital Market Association (“**ICMA**”);
  - (2) ASEAN Green Bond Standards, ASEAN Social Bond Standards and ASEAN Sustainability Bond Standards, issued by the ASEAN Capital Markets Forum (“**ACMF**”)<sup>1</sup>;
  - (3) Sustainable and Responsible Investment Sukuk Framework, issued by the Securities Commission Malaysia (“**SC**”)<sup>2</sup>;
  - (4) Climate Bonds Standard criteria for sector-specific threshold requirements (if any); and
  - (5) UN SDG’s for mapping to eligible assets types.
- (collectively referred to as the “**Local and International Regulations**”)

The SSBF sets out guidelines for the issuances of green or social bonds/sukuk and is intended to align with the Framework’s Pillar 1: Sustainable and Responsible Banking with the primary SDGs to be supported by the SSBF as follows:



In specific, the parameters of Pillar 1 include the integration of ESG factors and risks into advisory and investment activities, with the objective of increasing the establishment and issuance of sustainable (including ESG) related bonds/ sukuk in the capital market space.

<sup>1</sup> Chapter 8 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 (as amended from time to time) (“**LOLA Guidelines**”). <sup>2</sup> Chapter 7 of Part 3 of Section B of the LOLA Guidelines.


### 3.0 Core Components of the SSBF



#### 3.1 Use of Proceeds

The proceeds from the issuances of bonds/sukuk under the SSBF (“**Proceeds**”) will be used to finance and/or refinance, in whole or in part, new or existing assets, businesses, projects and/or products (collectively, “**Eligible Assets**”) that promote the categories outlined below (“**Eligible Categories**”). A lookback period of 3-years is enforced on refinancing projects for it to be included as Eligible Assets. The Proceeds could be utilised for general financing of a financing recipient if the financing recipient derives 90 per cent or more of its revenue from the Eligible Assets as defined under the SSBF.

The Eligible Assets are generally grouped into 2 main categories:

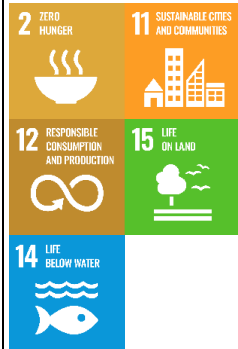
- (1) Eligible green categories: renewable energy, energy efficiency, pollution prevention & control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation and eco-efficient and/ or circular economy which adapts to products, production technologies and processes.
- (2) Eligible social categories: affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security and sustainable food systems, socio economic advancement and empowerment.

Eligible green categories	
Category	Eligibility criteria
<b>Renewable energy</b> 	Production, manufacturing, operation and maintenance of renewable energy sources / infrastructure: <ul style="list-style-type: none"> <li>• Solar generating facilities including solar photovoltaic panels and solar thermal plants (solar thermal plants with &gt; 85% facility’s electricity production derived from solar energy resources).</li> <li>• Hydropower electricity generating facilities (run-of-river without artificial reservoir or low storage capacity or power density &gt;10 W/m<sup>2</sup> or greenhouse gas (“GHG”) emissions intensity below 50g CO<sub>2</sub> e/kWh).</li> <li>• Tidal or wave energy generating facilities.</li> <li>• Geothermal electricity generating facilities (with direct emissions of less than 100g CO<sub>2</sub> e/kWh).</li> </ul>

	<ul style="list-style-type: none"> <li>• Production of low carbon fuels e.g. hydrogen, ammonia and methanol (powered by renewable energy/fuel only).</li> <li>• Bioenergy producing biofuel, biomass (feedstock for biomass energy production will be waste sources including forestry and agriculture residues or non-waste sources including crops that can be used for food or feed (e.g., oilseed crops like soybean oil, sugar crops such as sugarcane) or wood pellets that meet the criteria for sustainable sourcing), including pre-treatment facilities and bio refinery facilities for various purposes for example heating, electricity production (life-cycle GHG emission intensity below 100g CO<sub>2</sub> e/kWh) and transport.</li> </ul>
<p><b>Energy efficiency</b></p> 	<p><b>Energy efficiency technology</b></p> <ul style="list-style-type: none"> <li>• Energy saving technology such as smart meters and lighting for public, commercial and residential buildings.</li> <li>• Smart grid.</li> <li>• Manufacture of components to enable energy efficiency.</li> </ul> <p><b>Public services and utilities</b></p> <ul style="list-style-type: none"> <li>• Improvement of heat efficiency of utilities such as waste heat recovery improvements for district power generation, cooling systems, retrofit with renewable energy power (cooling and heating systems are electric powered).</li> </ul>
<p><b>Pollution prevention and control</b></p> 	<p><b>Waste management</b></p> <ul style="list-style-type: none"> <li>• Waste minimisation, collection, management, recycling, re-use, processing, disposal (such as methane capture) infrastructure, technologies and solutions, such as:             <ul style="list-style-type: none"> <li>• Solid waste management (limited to municipal waste management projects, that capture methane emissions from waste handling to generate electricity).</li> <li>• Liquid waste management (limited to sewage waste management projects, that capture methane emissions from waste handling to generate electricity).</li> <li>• Biological treatment facilities (anaerobic digestion facilities, composting facilities) to process food and/ or green/ garden/yard waste to produce compost for municipal or consumer applications.</li> <li>• Landfill gas capture with at least 75% of gas capture efficiency for energy generation from decommissioned landfill.</li> </ul> </li> </ul>



**Environmentally sustainable management of living natural resources and land use**



**Forestry**


- Use of early warning systems or wildfire control measures (to reduce damages due to wildfires induced by heatwaves).
- Use of material (species and ecotypes) that are suited to the local conditions taking into consideration potential adverse climate conditions such as wind, flood, drought and etc.
- Adoption of sound forestry practices and use of endemic tree species that are less vulnerable to storms and fires.
- Afforestation or restoration of former forest areas utilising natural seed banks and existing plants.
- Adopt sustainable forest management and sound harvesting techniques to reduce soil erosion and vulnerabilities to wildfires.
- Conservation of forest eco-system to prevent soil erosion, protect water catchments and safeguard lives and livelihood of the local communities.
- Adoption of afforestation (non-forest to forest), reforestation (re-establishment of forest on land classified as forest), restoration or rehabilitation of forests, croplands, grasslands and wetlands, sustainable forest management, as well as forest and peatland conservation to maintain or strengthen land carbon sinks. Afforestation Project will have PEFC, FSC or MTCS Sustainable Management Plans; Tree species selection will be native indigenous or well adapted to site conditions.





**Agriculture**



- Adoption of diversified agricultural production and practices which reduce GHG emissions (e.g. growing a mix of different crops or different varieties of each crop) and /or purchase of sustainably produced agricultural products certified by MyOrganic, MyGap, UTZ Certified, Rainforest Alliance, Fairtrade International and other organic agricultural.
- Adoption of regenerative agriculture techniques (e.g. no till or conservation tillage, integrated pest management to eliminate chemical usage and cover crop/crop rotation to promote biodiversity).
- Soil and water management to increase water availability in areas experiencing increased water stress.
- Research and development of drought- resistant crop varieties to increase crop yields.

**Fisheries**

- Adoption of sustainable aquaculture certified by the Marine Stewardship Council (“MSC”) or Aquaculture Stewardship Council (“ASC”), such as fish farming in ponds (worsening availability of fish stocks in natural habitats due to temperature increase).


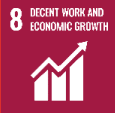



<p><b>Clean transportation</b></p> 	<p><b>Infrastructure (for public use)</b>          Development and operation of urban mass transit systems:</p> <ul style="list-style-type: none"> <li>• Zero direct emission electric mass passenger vehicle (trains and buses).</li> <li>• Infrastructure upgrades for zero direct emission electrified rails, trains and buses.</li> <li>• Passenger transportation conveyance below the threshold of 75g CO<sub>2</sub>/km.</li> <li>• Infrastructure for low-carbon and efficient transport (e.g. charging stations for electric vehicles).</li> <li>• Non-motorised transport (enabling bicycle and pedestrian mobility).</li> <li>• Urban planning and development that leads to a reduction in the use of passenger cars e.g. car-free city areas (limited to planning costs), high-occupancy vehicle lanes.</li> </ul> <p><b>Freight transportation</b></p> <ul style="list-style-type: none"> <li>• Vehicle, rail or boat fleet retrofit or replacement with fully electric, biofuel or hydrogen-powered technologies with hybrid passenger vehicles and freight trucks at or below the threshold of 75g CO<sub>2</sub>/km and 25g CO<sub>2</sub>/t-km respectively and exclusion of freight trucks and trains dedicated to the transport of fossil fuel.</li> <li>• Development or improvement of railway transport to ensure a modal shift from road to fully electric rail.</li> <li>• Development or improvement of water transport to ensure a modal shift from road to waterways (fully electric or hydrogen fuelled ships/boats).</li> <li>• Fleet optimisation and route management (e.g. eliminating backhauls and consolidating loads) with energy efficient technology for clean transportation mode and logistic software.</li> </ul> <p><b>Transportation</b></p> <ul style="list-style-type: none"> <li>• Design and construction of climate resilient / climate-proofed transport network.</li> </ul>
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<p><b>Sustainable water and wastewater management</b></p>  	<p><b>Water resources</b></p> <ul style="list-style-type: none"> <li>• Increase of water storage capacity by building a dam (sand dams, limited to small scale reservoirs with minimal sustainability impact), practicing aquifer storage and recovery, removing accumulated sediment in reservoirs or lowering water intake elevation.</li> <li>• Integrated planning and sound management of water resources (water supply, demand and quality).</li> <li>• Water conservation and rainwater harvesting in areas prone to water stress.</li> <li>• Improvement in drainage to cope with increased frequency / severity of floods arising from intense rainfall.</li> <li>• Development and deployment of technology to treat and recycle wastewater, thus greatly reduce the use of new freshwater resources.</li> <li>• Design and development of flood early warning systems and flood defence systems as pre-emptive measures to reduce damage from floods (especially during monsoon season).</li> </ul>
<p><b>Climate change adaptation</b></p>  	<p><b>Construction</b></p> <ul style="list-style-type: none"> <li>• Adapting buildings with capability to cope with future climate conditions and extreme weather events.</li> </ul> <p><b>Health</b></p> <ul style="list-style-type: none"> <li>• Development and deployment of heat waves early warning system to reduce associated illnesses and deaths.</li> <li>• Development or enhancement systems for monitoring drinking water, food and air quality (haze related risk), in areas affected by higher temperatures / forest burning, floods and rising sea level.</li> </ul> <p><b>Information and communication</b></p> <ul style="list-style-type: none"> <li>• Development of technology and information systems to enable national meteorological services to gather, analyse, and disseminate accurate weather information.</li> </ul> <p><b>Fisheries</b></p> <ul style="list-style-type: none"> <li>• Mapping changes in the range of fish species and monitoring of fish stocks to understand the impacts of climate change.</li> </ul> <p><b>Coastal areas</b></p> <ul style="list-style-type: none"> <li>• Climate observation and early warning systems and/or other similar support systems.</li> <li>• Climate change resilient infrastructure, flood defence systems such as flood risks reduction and other risk mitigation programmes.</li> </ul>

	<ul style="list-style-type: none"> <li>• Technical consultancy and subsequent engineering activities dedicated to adaptation to climate change.</li> <li>• Modelling system, for simulating, evaluating, and forecasting adverse climate risks events.</li> <li>• R&amp;D relating to coastal protection or flood prevention and mitigation.</li> <li>• Building of sea walls in low-lying islands to stop coastal erosion.</li> <li>• Research on population exposure to sea level rise and related impacts.</li> <li>• Conservation of mangroves and coral reefs to protect coastal zones from weather-related catastrophes (storms and typhoons) and to preserve fish spawning grounds.</li> </ul>
<p><b>Eco-efficient and/or circular economy adapted products, production technologies and processes</b></p> 	<p><b>Green technology / manufacturing</b> Development, manufacturing and/or distribution of low carbon component products or components which are Roundtable on Sustainable Biomaterials (“RSB”)-certified and designed to have a positive environmental impact in terms of reducing either carbon emissions, waste, energy use or water use and material use for circularity and/or adaptive re-use e.g. life cycle analysis.</p> <ul style="list-style-type: none"> <li>• Energy storage equipment or solutions including electrochemical (such as battery storage, hydrogen storage), mechanical (such as pumped hydro), or power-to-gas (all energy storage solutions will be limited to those powered by renewables only).</li> <li>• Research &amp; Development (“R&amp;D”) expenditures related to bioenergy and carbon capture and storage (“BECCS”) and direct air capture (“DAC”) where allocation is capped at 10% positively with exclusion of R&amp;D and Commercial-scale carbon capture, utilisation and/or storage (“CCU”/“CCS”) applied to "hard-to-abate" industrial activities that are inherently carbon-intensive.</li> </ul>
<p><b>Green buildings</b></p> 	<p><b>Real estate (commercial and residential)</b></p> <ul style="list-style-type: none"> <li>• Acquisition or construction of new buildings and/or retrofit of existing buildings:             <ul style="list-style-type: none"> <li>• Buildings certified to an acceptable level under an internationally or domestically recognised green building certification scheme, such as GBI – Gold, LEED – Gold, Green Mark – Gold Plus, GreenRE – Gold, BREEAM – Excellent, EDGE - Certified.</li> <li>• Refurbishment/retrofit of building to achieve a 20% improvement in energy efficiency and/or 20% reduction in GHG over initial performance.</li> </ul> </li> </ul>

Eligible social categories	
Category	Eligible criteria
<p><b>Affordable basic infrastructure</b></p>	<p><b>Construction and real estate</b></p> <ul style="list-style-type: none"> <li>• Build communities that promote healthy living through development of and provision of community centres, recreational centres, cultural centres, museums or libraries and facilities that are free or subsidised for low-income population, unemployed, underserved or disadvantaged groups (which are as defined by Low income B40 and Population as provided by the Vulnerable Segment adopted in BNM’s Bancassurance / Bancatakaful document except for financial consumers who are part of the vulnerable segment due to being overly indebted or having low or no savings) in areas of high unemployment, underserved and/or deprived areas.</li> <li>• Special-purpose building e.g. shelters, relief centres or safe buildings for evacuation from flooding.</li> <li>• Renovate, retrofit and modify existing public and private spaces to improve accessibility to people with special needs or disabilities (free or subsidised for senior citizens and people with special needs or disabilities).</li> </ul> <p><b>Utilities and Infrastructure</b></p> <ul style="list-style-type: none"> <li>• Design and build affordable and accessible transport to enhance connectivity in underserved / remote locations of the country which are areas with limited, poorly maintain or non-existence road connectivity which hinders a community's development which includes infrastructure such as basic roads and bridges in rural areas but excludes upgrades to major roads and highways.</li> <li>• Upgrade waste management infrastructure like sewers and sanitation (excluding for industrial purposes).</li> <li>• Build infrastructure to provide underserved or unserved communities with physical access to basic services (including clean drinking water and sanitation for residential or public-access facilities and clean energy for underserved / remote locations of the country). Desalination plants to be financed will be powered by low-carbon energy sources and have reasonable assurances of appropriate waste management programs for disposal of brine.</li> </ul>

<p><b>Access to essential services</b></p>	<p><b>Technology and telecommunications</b></p> <ul style="list-style-type: none"> <li>• Create access to new technology and telecommunication products for low-income customers, women, minorities, and/or customers with disabilities (which are as defined by Low income B40 and Population as provided by the Vulnerable Segment adopted in BNM's Bancassurance / Bancatakaful document except for financial consumers who are part of the vulnerable segment due to being overly indebted or having low or no savings).</li> <li>• Enable free or low-cost access to products and programmes in the education and health sectors, such as long-distance learning and telemedicine.</li> </ul> <p><b>Education*</b></p> <ul style="list-style-type: none"> <li>• Development of Education and Child Care Facilities and programmes from kindergarten, elementary to tertiary.</li> <li>• Development of vocational, technical training facilities and institutions.</li> </ul> <p><small>* This is made available free or at nominal fees to the B40 and vulnerable communities (which are as defined by Low income B40 and Population as provided by the Vulnerable Segment adopted in BNM's Bancassurance / Bancatakaful document except for financial consumers who are part of the vulnerable segment due to being overly indebted or having low or no savings). Nominal fees must be the same if not lower than the National regulated tariff for public facilities.</small></p> <p><b>Healthcare</b></p> <ul style="list-style-type: none"> <li>• Development, expansion or acquisition of any buildings or facilities at any non-profit, public, standalone or university-affiliated hospital, clinic, or healthcare facility that offers free or subsidised cost healthcare services to all.</li> <li>• Development of critical medical equipment or provision of diagnostic services (including magnetic resonance imaging (MRI) machines, respirators or services that support diagnostics such as laboratory testing) that is offered free or at subsidised cost to all.</li> <li>• Research and development of essential vaccines (those recommended by a country's Ministry of Health or other or other certified bodies such as the World Health Organisation).</li> </ul>
<p><b>Affordable housing</b></p>	<p><b>Construction and real estate*</b></p> <ul style="list-style-type: none"> <li>• Build affordable and safe housing for low-income communities.</li> <li>• Renovation, maintenance and improvement of affordable housing for low-income communities which will also be contributing to urban small-scale farming practices</li> </ul> <p><small>* To be eligible for the use of Proceeds, based on nationally determined definition of affordable or social housing announced by the Malaysian Government as and when available, such houses should target populations with a monthly household income of not more than RM4,360 and have a maximum</small></p>

	<p>property price of RM300,000.</p>
<p><b>Employment generation</b></p>   	<p><b>Job training*</b></p> <ul style="list-style-type: none"> <li>• Development of trade schools, job training or job placement programmes for the underemployed, young people, women and any other vulnerable populations.</li> </ul> <p>*This is for the low-income population, unemployed, underserved or disadvantaged groups (which are as defined by Low income B40 and Population as provided by the Vulnerable Segment adopted in BNM's Bancassurance / Bancatakafu document except for financial consumers who are part of the vulnerable segment due to being overly indebted or having low or no savings) in areas of high unemployment, underserved and/or deprived areas.</p> <p><b>Financial Services</b></p> <ul style="list-style-type: none"> <li>• Provide micro-loans or small and medium enterprises ("MSMEs") (which are defined as per SME Corp. Malaysia) financing to:             <ul style="list-style-type: none"> <li>• Majority (&gt;50%) women-owned or led-MSMEs.</li> <li>• Low-income entrepreneurs as defined by Low income B40 and Population as provided by the Vulnerable Segment adopted in BNM's Bancassurance / Bancatakafu document except for financial consumers who are part of the vulnerable segment due to being overly indebted or having low or no savings.</li> </ul> </li> </ul>
<p><b>Food security and sustainable food systems</b></p>  	<ul style="list-style-type: none"> <li>• Developing access to nutrition (food and potable water) programmes that address malnutrition.</li> <li>• Provision of technical capacity building or training for small-scale farming operations (threshold of small-scale farmers with a landholding threshold up to 10 hectares, as defined by the Food and Agriculture Organization of the United Nations or "FAO") or agricultural-related MSMEs to increase nutritional quality of agricultural products.</li> </ul>

## 3.2 Process for evaluation and selection of Eligible Assets

### Process for evaluation and selection

In September 2022, Board Sustainability Committee (“BSC”) was established to drive the Group’s sustainability and climate-related agenda and providing oversight of material ESG matters across the Group’s business strategies, operations and decision-making process.

BSC is supported by the Group Sustainability Committee (“GSC”), which is led by the GMD/CEO to strategically drive the Group’s sustainability and climate action plans, in line with the Group’s sustainability vision, aspirations, commitments, prioritised United Nation SDGs and sustainability pillars under the Sustainability Strategy and Roadmap.

In addition, the GSC is supported by two Sustainability Councils comprising of key senior leaders across the Group, namely the Sustainable Business Council (“SBC”) and Responsible and Sustainable Practices Council, to support the implementation of relevant initiatives in line with the Group’s sustainability and climate agenda.

The evaluation and selection of Eligible Assets step-by-step process from screening and selection to validation is as follows:

(1) *Screening by business units*

Business units (including Shariah Committee for Sustainable Sukuk) to screen, select and propose, new or existing assets based on existing credit evaluation process and match with Eligible Assets category listed under Section 3.1 Use of Proceeds.

(2) *Evaluation by the SBC*

SBC to evaluate the proposed Eligible Assets and ensure due diligence has been conducted on the relevant assets and consultation with subject matter experts on their recommendations.

(3) *Recommendation to GSC for endorsement*

SBC to recommend inclusion or exclusion as use of proceeds for the proposed Eligible Assets with consideration of:

- compliance to the SSBF and/or relevant standards and benchmarks
- compliance to the Group’s Sustainability Strategy and Roadmap and Group ESG Eligible Business Activities Guideline where relevant



- beneficiaries of the proposed assets, if and where applicable

(4) *Recommendation to BSC for Approval*

Upon the proposal is endorsed by GSC, BSC to review and evaluate proposed utilisation of the Proceeds and provide approval based on compliance to the SSBF and other relevant considerations.

Environmental and Social Risks Mitigations

The Group has progressively integrated ESG risks into lending/financing evaluation and decision making by embedded Prohibited Credits in the Group Credit Policy and local country credit policies.

ESG Risk Assessment (“ERA”) tool comprising General and Industry Specific ERA have been developed and implemented to assess the ESG risk for non-retail customers. ESG risk assessment will be conducted during onboarding of new customers and periodic review of existing customers using General ESG Risk Assessment (“ERA”) tool. Additional due diligence assessment via the Industry Specific ERA will be conducted for customers that fall within the ESG Sensitive Sectors (“ESS”), sectors deemed to have elevated ESG risks or are more vulnerable to ESG issues including high carbon emissions.

Based on the plans in place, RHB will support customers with ERA rating “Low Risk” or “Medium Risk” (customer with transition plans) and exposures to “High Risk” sectors are to be classified as Exceptional Credit and closely monitored.

### **3.3 Management of Proceeds**

Group Treasury, supported by Group Sustainability Management and Group Capital and Balance Sheet Management, will manage a centralised register to track and monitor the allocation of all ESG funding raised including proceeds from bonds issued under this Sustainability Sukuk and Bonds Framework, to match with accumulated pool of ESG assets such as loans/financing which are identified and reported.

The unutilized funding may be temporarily invested in cash or high quality assets, which can easily be redeemed to fund future ESG assets. In the event of redemption of ESG assets from issuance proceeds under Sukuk and Bonds Framework, or if any of the identified ESG assets cease to be in compliant of the RHB's Sustainability Sukuk and Bond Framework, The Group shall endeavor to obtain substitution of other ESG assets, pending which, the excess ESG funding will continue to be invested in short term cash or high quality assets. The Group intends to fully allocate the net Proceeds within 24 months of each issuance.

### **3.4 Reporting**

To cater to investor requirements on transparency of use of Proceeds from issuances of bonds/sukuk under the SSBF, RHB will issue a progress report, on an annual basis or as and when there are material developments, with disclosure on the use of Proceeds at least until full allocation of the Proceeds, and consisting of:

#### Allocation Reporting

This section will include information on the amount that is equal to the net Proceeds of the bonds/sukuk issued under the SSBF, amongst others:

- (a) net Proceeds raised from each bond/sukuk issuance under the SSBF;
- (b) aggregate amounts of funds allocated to each of the Eligible Assets categories as listed under Section 3.1 together with a useful analysis on the types of assets financed and confirmation that the use of Proceeds is in line with the SSBF;
- (c) removal or substitution of the Eligible Assets;
- (d) Share of allocation of proceeds for new financing and refinancing; and
- (e) the outstanding balance of unallocated Proceeds to Eligible Assets at the end of reporting period and the information of where it has been invested.

### Impact Reporting

Where possible, RHB will report on the environmental and social impacts associated with Eligible Assets financed or refinanced by the bonds/sukuk issued under the SSBF.

Indicative performance indicators may change from year to year, may include but are not limited to the following:

Eligible green categories	
Category	Indicative Impact Indicators
<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>• Renewable energy produced in MWh</li> <li>• Annual energy savings in MWh</li> <li>• Annual GHG emissions reduced / avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh</li> <li>• Annual GHG emissions reduced / avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced / avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>
<b>Environmentally sustainable management of living natural resources and land use</b>	<ul style="list-style-type: none"> <li>• Area conserved or protected in m<sup>2</sup></li> <li>• Area covered by sustainable agricultural land management practices (hectares)</li> </ul>
<b>Clean transportation</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced / avoided in tonnes of CO<sub>2</sub> equivalent</li> </ul>
<b>Sustainable water and wastewater management</b>	<ul style="list-style-type: none"> <li>• Amount of waste avoided /reduced in kg or m<sup>3</sup> per year</li> <li>• Amount of wastewater treated in m<sup>3</sup> per year</li> </ul>
<b>Climate change adaptation</b>	<ul style="list-style-type: none"> <li>• Number and nature of projects that support climate change adaptation / resilience</li> </ul>
<b>Eco-efficient and/or circular economy adapted products, production technologies and processes</b>	<ul style="list-style-type: none"> <li>• Material reused, recycled, refurbished, manufactured per year (tonnes)</li> </ul>
<b>Green buildings</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced / avoided in tonnes of CO<sub>2</sub> equivalent</li> <li>• Annual energy savings in MWh</li> </ul>

Eligible social categories	
Category	Indicative Impact Indicators
<b>Affordable basic infrastructure</b>	<ul style="list-style-type: none"> <li>• Number of people with access to community centres, recreational centres, cultural centres, museums or libraries and facilities</li> <li>• Number of people with access to sustainable transportation</li> <li>• Number of water and waste management infrastructure projects for clean drinking water and sanitation</li> </ul>

<p><b>Access to essential services</b></p>	<ul style="list-style-type: none"> <li>• Number of people with access to new technology and telecommunication</li> <li>• Number of students supported</li> <li>• Number of hospitals and other healthcare facilities financed</li> <li>• Number of residents benefitting from healthcare which is otherwise not accessible</li> </ul>
<p><b>Affordable housing</b></p>	<ul style="list-style-type: none"> <li>• Number of people with access to affordable and safe housing</li> </ul>
<p><b>Employment generation</b></p>	<ul style="list-style-type: none"> <li>• Number of people supported in trade schools, job training or job placement programmes</li> <li>• Amount of financing approved for women-led MSMEs</li> <li>• Amount of financing approved for low-income entrepreneurs MSMEs</li> </ul>
<p><b>Food security and sustainable food systems</b></p>	<ul style="list-style-type: none"> <li>• Number of people with affordable access to nutritious food and clean water</li> <li>• Number of people supported in technical capacity building or training for small-scale farming operations</li> </ul>

#### 4.0 External Review

RHB will obtain a second-party opinion on the SSBF to confirm the alignment of RHB SSBF with the relevant Local and International Regulations relating to sustainability.

RHB will also engage an independent provider on an annual basis to review the progress reports and ensure conformity with the Group’s SSBF.

The second party opinion and the reviewed annual progress report, will be published and made publicly available on [www.rhbgroup.com](http://www.rhbgroup.com).

#### 5.0 Potential Evolutions

In view of the evolving market practices in sustainability, RHB will continue to enhance and improve our sustainable goals relating to funding management, linking to the refreshment of the SSBF as required. Any refinements thereof will be published as a supplement to the Framework in our corporate website.